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

€225,000,000 Senior Secured Floating Rate Notes due 2021

Interest payable March 1, June 1, September 1 and December 1

Arrow Global Finance plc (the ***Issuer***), a public limited company incorporated in England and Wales, is hereby offering (the ***Offering***) €225,000,000 Senior Secured Floating Rate Notes due 2021 (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. The net proceeds of the Offering are to be used in part to finance the proposed acquisition of Quest Topco Limited, the parent company of the Capquest group of companies (the ***Capquest Group***) by Arrow Global Investments Holdings Limited (***AGIHL***), a subsidiary of AGGHL (the ***Capquest Acquisition***). The remaining net proceeds of the Offering, together with cash on the balance sheet, are to be used to repay a portion of the amounts drawn under the Arrow Global Revolving Credit Facility (as defined below).

Interest on the Notes will be paid quarterly in arrears on March 1, June 1, September 1 and December 1 of each year, beginning on March 1, 2015. The Notes will bear interest at a rate per annum equal to three-month Euro Interbank Offered Rate (***EURIBOR***) plus 5.25% per year, reset quarterly. The Notes will mature on November 1, 2021.

The Issuer may redeem some or all of the Notes on or after November 1, 2017 at the redemption prices set out in this offering memorandum (the ***Offering Memorandum***). Prior to November 1, 2017 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 November 1, 2017, 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 105.250% 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.

Pending the completion of the Capquest Acquisition, the gross proceeds from the offering of the Notes will be deposited in a segregated escrow account (the ***Escrow Account***). The Escrow Account will be controlled by the Escrow Agent (as defined herein) and pledged on a first-ranking basis in favor of the Trustee (as defined herein), on behalf of the holders of the Notes, pursuant to the escrow agreement (the ***Escrow Agreement***). The release of the Escrowed Property (as defined herein, and which includes eligible investments identified in the Escrow Agreement) will be subject to the satisfaction of certain conditions in the Escrow Agreement. The Escrow Agreement will provide that the Escrowed Property will be released (the date of such release, the ***Escrow Release Date***) in order to fund, substantially concurrently with such release, the Capquest Acquisition. If the Capquest Acquisition is not completed on or prior to February 12, 2015 (the ***Escrow Longstop Date***) or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price will be equal to 100% of the aggregate issue price of the Notes, plus accrued and unpaid interest, if any, from the Issue Date (as defined herein) to the date of the special mandatory redemption. See ''Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption.''

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 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 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 ***Original Guarantees***) on a senior basis by AGGHL and certain of its subsidiaries, including AGIHL (collectively, the ***Original Guarantors***). No later than 30 days after the Capquest Acquisition Completion Date, the Notes are also required to be guaranteed (the ***Additional Guarantees*** and, together with the ***Original Guarantees***, the ***Guarantees***) on a senior basis by the Additional Guarantors (as defined herein and, together with the Original Guarantors, the ***Guarantors***).

From the Issue Date, the Notes will be secured by substantially all of the assets of the Issuer and the Original Guarantors (the ***Original Collateral***), including first-priority security interests in the share capital of the Issuer and the Subsidiary Guarantors, as described in the ''Description of the Notes—Security.'' Subject to certain agreed security principles set out in the Arrow Global Revolving Credit Facility (as defined herein), no later than 30 days after the Capquest Acquisition Completion Date, the Notes are required to be further secured by first-priority security interests in the share capital of the Additional Guarantors and Quest Topco Limited, and certain other property and assets of the Additional Guarantors (the ***Additional Collateral*** and, together with the Original Collateral, the ***Collateral***). The Original Collateral also secures, and the Additional Collateral will also secure, our obligations under the Issuer's £220,000,000 aggregate principal amount of 7.875% Senior Secured Notes due 2020 (the ***2020 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 (as defined herein), 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 prospectus 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. 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 41.

Issue Price for the Notes: 97.50% plus accrued interest, if any, from 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, société anonyme (***Clearstream***) on or about November 4, 2014. See ''Book-Entry; Delivery and Form.''

Sole Physical Bookrunner and Global Coordinator

Goldman Sachs International

Co-Managers

Lloyds Bank | **The Royal Bank of Scotland plc**

Offering Memorandum dated October 30, 2014

Table of Contents

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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;
- ***Parent Guarantors*** refers 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; and
- except where the context otherwise requires or it is otherwise indicated, the ***Group, we, us*** and ***our*** refer to AGGHL and its consolidated subsidiaries, which, subsequent to the Capquest Acquisition, will include the Capquest Group, unless the context otherwise requires. The Capquest Acquisition constitutes a Class 1 transaction for the purposes of the Listing Rules and is, therefore, conditional upon the approval of shareholders of Arrow Global Group PLC (***AGG***) at a general meeting. In ''Description of the Notes,'' AGGHL is referred to as the ***Company***.

The ultimate parent company of the Parent Guarantors, their respective subsidiaries and the Issuer is 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 governing the Notes (the ***Indenture***). See ''Summary—Corporate and Financing Structure'' for a diagram depicting the simplified corporate structure of AGG and its consolidated subsidiaries (collectively, the ***Arrow Global Group***). AGG's registered office is located at Belvedere, 12 Booth Street, Manchester M2 4AW. AGG's telephone number is +44 800 130 0169.

In making an investment decision, prospective investors must rely on their own examination of the Group and the terms of the Offering, including the merits and risks involved. In addition, neither we nor Goldman Sachs International, Lloyds Bank plc and The Royal Bank of Scotland plc (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 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 as of the settlement date for the Notes or any date thereafter, 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.

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 41.

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, GOLDMAN SACHS INTERNATIONAL (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 this 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 NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER

ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

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 the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State. The expression ***2010 PD Amending Directive*** means Directive 2010/73/EU.

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 to:

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

(ii) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 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 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 or regulation of the debt purchase and the broader consumer credit industry, or changes to the regulatory environment in the UK and Portugal;
- 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;
- deterioration in the value of the debt portfolios we have purchased or the inability to collect sufficient amounts on our debt portfolios;
- inability to complete, integrate effectively and realize the benefits of current or potential future acquisitions and business combinations;
- 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;
- 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 DCAs and other business partners;
- 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;
- negative attention and news regarding the debt collection industry and individual debt collectors;
- effects on our results from our inability to obtain account documents for some of the accounts that we purchase;
- revaluation of our purchased loan portfolios;
- inability to meet financial and other reporting requirements or implement effective internal control and portfolio pricing standards;
- our failure, and that of our third-party DCAs, to service underlying accounts in our debt portfolios;
- seasonal purchase and business patterns;
- 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 Debt Sellers;
- failure to protect proprietary processes and systems;
- purchase of portfolios pursuant to Forward Flow Agreements at a higher price than desired;

- fluctuations in foreign exchange rates;
- exposure to unexpected risk and potential losses through derivative transactions; and
- risks associated with the Capquest Acquisition, including the inability to realize anticipated synergies.

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:

- ***Audit and Risk Committee*** means the audit and risk committee of the Board or a sub-committee of it;
- ***Board*** means the board of directors of AGG;
- ***CC Companies*** means Arrow Global Limited, Arrow Global Guernsey Limited, Arrow Global Receivables Management Limited, Arrow Global Management Limited, Arrow Global Egerton Limited, Arrow Global Massey Limited, Arrow Global Legh Limited and Arrow Global Accounts Management Limited;
- ***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);
- ***Compliance Committee*** means the compliance committee of the Board or a sub-committee of it;
- ***CONC*** means the FCA's Consumer Credit sourcebook;
- ***Contingent Collections*** means collections of overdue receivables on behalf of third parties;
- ***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 or a sub-committee of it;
- ***European Economic Area*** or ***EEA*** means the European Union, Iceland, Norway and Liechtenstein;
- ***European Union*** or ***EU*** means an economic and political union of 28 Member States which are located primarily in Europe;
- ***Eurozone*** means the Member States of the European Union 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;
- ***GFSC*** means the Guernsey Financial Services Commission;

- ***Guernsey Data Protection Law*** means the Data Protection (Bailiwick of Guernsey) Law, 2001;
- ***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;
- ***London Stock Exchange*** means London Stock Exchange PLC;
- ***Member State*** means a member state of the European Union;
- ***Nomination Committee*** means the nomination committee of the Board or a sub-committee of it;
- ***OC&C*** means OC&C Strategy Consultants LLP;
- ***OFCOM*** means the UK Office of Communications;
- ***Official List*** means the Official List maintained by the FCA;
- ***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 Existing Portfolios;
- ***Portfolio Review Committee*** means the portfolio review committee of the Board or a sub-committee of it;
- ***Remuneration Committee*** means the remuneration committee of the Board or a sub-committee of it;
- ***Risk Committee*** means the risk committee of the Board or a sub-committee of it;
- ***Secondary Seller*** means a seller of 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;
- ***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; and
- ***UTCCR*** means the Unfair Terms in Consumer Contracts Regulations 1999.

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 debt:

- ***2013 Shareholder Loan*** means a loan of £41.7 million, representing net proceeds from the IPO, ultimately advanced to Arrow Global Limited from AGG in October 2013;
- ***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 supplemental indenture dated March 28, 2013 (and 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;

- ***Additional Guarantees*** means the full and unconditional guarantees of the Notes by the Additional Guarantors;
- ***Additional Guarantors*** means Capquest Investments Limited and Capquest Debt Recovery Limited;
- ***Arrow Global Revolving Credit Facility*** means 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, June 30, 2014 and September 16, 2014, and as may be further amended from time to time, among the Issuer, the Guarantors and the Security Agent. See ''Description of Other Indebtedness—Arrow Global Revolving Credit Facility;''
- ***Collateral*** means the security interests securing the obligations of the Issuer and the Guarantors under the Notes, the Guarantees, the 2020 Notes, the guarantees under the 2020 Notes, and the Arrow Global Revolving Credit Facility, and includes the Original Collateral and the Additional Collateral. See ''Description of the Notes—Security;''
- ***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 Interbank Offered Rate;
- ***Guarantees*** means the Original Guarantees and the Additional Guarantees;
- ***Guarantors*** means the Original Guarantors and the Additional Guarantors;
- ***IFRS*** means International Financial Reporting Standards, as adopted by the European Commission for use in the European Union;
- ***Indenture*** means the indenture dated as of the Issue Date and governing the Notes, by and among the Issuer, the Original Guarantors, the Trustee and the Security Agent, to which the Additional Guarantors are required to accede on or before 30 days from the Capquest Acquisition Completion Date, as amended from time to time;
- ***Intercreditor Agreement*** means the intercreditor agreement dated January 29, 2013 among the Issuer, the Original Guarantors, the borrowers under the Arrow Global Revolving Credit Facility, the trustee under the 2020 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 and the Additional Guarantors are required to accede on or before 30 days after the Capquest Acquisition Completion Date, as amended, restated or otherwise modified or varied from time to time;
- ***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 Interbank Offered Rate;
- ***Loan Conversion*** means the conversion of the 2013 Shareholder Loan to Subordinated Shareholder Funding (under the 2020 Indenture, which has the same meaning in the Indenture) as of August 27, 2014;
- ***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 Original Guarantors, the Issuer and, following the Capquest Acquisition, the members of the Capquest Group other than the Additional Guarantors;
- ***Notes*** means the €225,000,000 Senior Secured Floating Rate Notes due 2021 offered hereby;
- ***Offering*** means the offering of the Notes;
- ***Original Guarantees*** means the full and unconditional guarantees of the Notes by the Original Guarantors;

- ***Original Guarantors*** means AGGHL, AGIHL, Arrow Global (Holdings) Limited, Arrow Global Guernsey Limited, Arrow Global Receivables Management Limited, Arrow Global Accounts Management Limited and Arrow Global Limited;
- ***Original Subsidiary Guarantors*** means Arrow Global (Holdings) Limited, Arrow Global Guernsey Limited, Arrow Global Receivables Management Limited, Arrow Global Accounts Management Limited and Arrow Global Limited;
- ***Prospectus Directive*** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU;
- ***Qualified Institutional Buyer*** or ***QIBs*** means 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 Goldman Sachs International;
- ***Total Commitments*** means the committed financing described in ''Description of Other Indebtedness—Arrow Global Revolving Credit Facility;''
- ***Transactions*** means the Capquest Acquisition (including the payment of existing indebtedness of the Capquest Group) and the Offering, together;
- ***Trustee*** means The Bank of New York Mellon, London Branch, as trustee under the Indenture; and
- ***U.S. Securities Act*** means the United States Securities Act of 1933, as amended.

The Capquest Acquisition

In addition, unless otherwise specified or the context requires otherwise, as used in this Offering Memorandum with respect to the Capquest Acquisition:

- ***Capquest Acquisition*** means the proposed acquisition by AGIHL of the Capquest Group;
- ***Capquest Acquisition Agreement*** means the share purchase agreement entered into by AGG, AGIHL and the sellers named therein on September 23, 2014 pursuant to which AGIHL has agreed to acquire Quest Topco Limited;
- ***Capquest Acquisition Completion Date*** means the date on which the Capquest Acquisition is consummated;
- ***Capquest Group*** means Quest Topco Limited and its direct and indirect subsidiaries;
- ***Capquest Term and Revolving Credit Facilities*** means the facilities made available under the facilities agreement entered into on November 7, 2006, as amended from time to time, among Capquest Group Limited and its subsidiaries, The Royal Bank of Scotland plc, Citibank, N.A. London Branch, Lloyds Bank plc, NAC EuroLoan Advantage 1 Limited, Mercator CLO I plc and Mercator CLO III Limited as lenders and The Royal Bank of Scotland plc as agent and security agent. See ''Business of the Capquest Group—Financial Profile and Performance—Liquidity and Capital Resources—Borrowings;''
- ***Escrow Account*** means the account of the Issuer into which, on the Issue Date and pending the consummation of the Capquest Acquisition, the gross proceeds from the offering of the Notes will be deposited. The Escrow Account will be controlled by the Escrow Agent and the proceeds therein pledged on a first-ranking basis in favor of the Trustee on behalf of the holders of the Notes pending the Escrow Release Date or the Escrow Longstop Date;

- ***Escrow Agent*** means The Bank of New York Mellon, London Branch;
- ***Escrow Agreement*** means the agreement to be dated as of the Issue Date among the Issuer, the Trustee, the Initial Purchasers and the Escrow Agent;
- ***Escrow Longstop Date*** means February 12, 2015, which is the date on which all of the proceeds deposited into the Escrow Account, in addition to any accrued and unpaid interest, if any, will be returned to the holders of the Notes if the Capquest Acquisition is not completed and certain other conditions are not satisfied by such date;
- ***Escrowed Property*** means the initial funds deposited in the Escrow Account, together with the proceeds (including interest and other income in respect thereof) of such initial funds, and all amounts held in eligible investments (as identified in the Escrow Agreement) at any time, less any amounts released pursuant to the terms of the Escrow Agreement; and
- ***Lombard Financing Arrangements*** mean, collectively, the loan agreements that entities in the Capquest Group have entered into with Lombard North Central PLC and sale and leaseback agreements that entities in the Capquest Group have entered into with Lombard Technology Services Limited.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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

- historical financial information for the Group;
- historical financial information for the Capquest Group;
- financial measures not determined in accordance with IFRS;
- financial information for the Group and for the Capquest Group for the 12 months ended June 30, 2014;
- Combined financial information for the Group and the Capquest Group;
- as adjusted financial information; and
- unaudited *pro forma* condensed combined financial information.

Financial Information for the Group

We present in this Offering Memorandum the audited consolidated financial statements of AGGHL as of and for the years ended December 31, 2011, 2012 and 2013, prepared in accordance with International Financial Reporting Standards as adopted by the European Union (***IFRS***), and the unaudited condensed consolidated financial statements of AGGHL as of and for the six months ended June 30, 2013 and 2014, prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as adopted by the European Union (***IAS 34***). We also present in this Offering Memorandum the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2013, prepared in accordance with IFRS.

The consolidated financial statements of AGGHL as of and for the years ended December 31, 2011, 2012 and 2013, and the financial statements of the Issuer as of and for the year ended December 31, 2013, have been audited by Deloitte LLP. On July 2, 2014, AGG announced that the Arrow Global Group had replaced Deloitte LLP as its independent auditors with KPMG LLP. Notwithstanding its resignation, the audit opinion on the consolidated financial statements of AGGHL for the year ended December 31, 2013 was issued by Deloitte LLP on August 27, 2014 under separate instruction. On resignation as our independent auditors, Deloitte LLP indicated that there were no circumstances in connection with their resignation which they considered should be brought to the attention of AGG's shareholders or creditors. See ''Independent Accountants'' for further details.

Unless otherwise indicated, the financial information in relation to the Group presented in this Offering Memorandum is the historical consolidated financial information of AGGHL. We have also included in the section ''Management's Discussion and Analysis of Financial Condition and Results of Operations'' and elsewhere in this Offering Memorandum consolidated financial information for AGG as of and for the year ended December 31, 2013 and the six months ended June 30, 2014. AGG was formed in August 2013 in connection with the IPO and, since October 2013 has been our ultimate parent holding company. We have included consolidated financial information of AGG because, as a listed company, AGG in the ordinary course publishes consolidated financial and other information and because the reporting covenant in the Indenture will provide us the flexibility to provide annual and quarterly consolidated financial statements for AGG in lieu of annual and quarterly consolidated financial statements for AGGHL, together with description of the material differences between the two sets of financial statements.

The presentation of certain items in relation to the Group included in this Offering Memorandum for the year ended December 31, 2011 differs from the presentation in the audited consolidated financial statements of AGGHL as of and for the year ended December 31, 2011 included elsewhere in this Offering Memorandum due to a change in classification of these items that was adopted in the audited consolidated financial statements of AGGHL and its subsidiaries as of and for the year ended December 31, 2012 and which has been applied subsequently. This change in classification was adopted in order to present these items in a manner that reflects both a fairer presentation in light of the requirements of IAS 7 ''Statement of Cash Flow'' and industry practice, and resulted in a change in the presentation of purchases of purchased loan portfolios to be accounted for within net cash flow from operating activities rather than within net cash flow from investing activities as presented in the audited consolidated financial statements of AGGHL as of and for the year ended December 31, 2011, and accordingly the prior year comparatives were restated in the audited consolidated financial statements of AGGHL as of and for the year ended December 31, 2012. The audited consolidated financial statements of AGGHL as of and for the year ended December 31, 2011 included in this Offering Memorandum have not been amended in this regard. See ''Summary—Summary Consolidated Historical Financial and Other Data—Consolidated Cash Flow Statement Data of the Group.''

Beginning January 1, 2014, we refer to ''exceptional items'' in our consolidated income statement as ''non-recurring items.'' In each case, these items are those that are separately identified by virtue of their size and incidence to allow a full understanding of our underlying performance. There is no difference in the basis of preparation of the items referred to as ''exceptional'' or ''non-recurring.''

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**
2020 Notes	Senior secured notes
Arrow Global Revolving Credit Facility	Revolving credit facility
Core Collections	Collections in the period
Interest on 2020 Notes	Senior secured notes interest

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.

IFRS differ in various significant respects from accounting principles generally accepted in the United States (***U.S. GAAP***). 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. Moreover, the financial information included in this Offering Memorandum is not intended to comply with the SEC requirements. Compliance with such requirements would require, among other things, the exclusion of certain non-IFRS financial measures, as well as our financial data for the 12 months ended June 30, 2014, as discussed below.

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 AGGHL and the financial position, results of operations and cash flows of such entities are therefore consolidated within our financial statements contained herein.

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

Financial Information for the Capquest Group

We also present in this Offering Memorandum aggregated historical financial information of Quest Topco Limited for the year ended March 31, 2012 and consolidated historical financial information of Quest Topco Limited as of and for the years ended March 31, 2013 and 2014, and unaudited interim consolidated financial information of Quest Topco Limited as of and for the three months ended June 30, 2013 and 2014.

The historical financial information of Quest Topco Limited as of and for the years ended March 31, 2012, 2013 and 2014 has been prepared in accordance with IFRS, except as set forth below.

On August 26, 2011, Quest Topco Limited (through its wholly owned direct and indirect subsidiaries, Quest Newco Limited and Quest Bidco Limited) completed the indirect acquisition of Capquest Group Limited and BRUInvest Limited. As such, prior to that date, Quest Topco Limited did not control Capquest Group Limited or BRUInvest Limited and is not permitted by IFRS 10 *Consolidated Financial Statements* to present consolidated financial information incorporating the results of the Capquest

Group Limited group or BRUInvest Limited prior to that date. The historical financial information of Quest Topco Limited has therefore been prepared on the following basis:

- For the year ended March 31, 2012, the aggregated statement of comprehensive income and the aggregated statement of cash flows, aggregate the results and cash flows of the Capquest Group Limited group and BRUInvest Limited for the period from April 1, 2011 to August 25, 2011 and of the Quest Topco Limited group for the period from June 1, 2011, being the date of incorporation of Quest Topco Limited, to March 31, 2012.
- The statement of changes in equity for the year ended March 31, 2012 separately reflects the changes in equity for the Capquest Group Limited group and BRUInvest Limited for the period from April 1, 2011 to August 25, 2011 and for the Quest Topco Limited group for the period from June 1, 2011 to March 31, 2012.
- The consolidated statement of financial position as of March 31, 2012, 2013 and 2014 and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity for the year ended March 31, 2013 and 2014 are those of the Quest Topco Limited group.

The unaudited interim consolidated financial information of Quest Topco Limited as of and for the three months ended June 30, 2013 and 2014 has been prepared in accordance with IAS 34.

The historical financial information of Quest Topco Limited as of and for the years ended March 31, 2012, 2013 and 2014 has been reported on by Ernst & Young LLP.

The historical financial information and other financial information of the Capquest Group included in this Offering Memorandum are presented in pounds sterling.

Upon the completion of the Capquest Acquisition, the results of the Capquest Group will form part of our results. The results of operations of the Capquest Group for prior years are not necessarily indicative of the results to be expected for any future period for the Capquest Group following the Capquest Acquisition.

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 financial statements, which are prepared in accordance with IFRS, consist of the following:

- ***Core Collections***, which are presented in our 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 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;
- ***Collection Cost Ratio***, which is the ratio of Collection Activity Costs to Core Collections;
- ***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).

This Offering Memorandum also includes corresponding measures and ratios with respect to the Capquest Group that are presented in, or derived from measures that are presented in, the Capquest Group's financial statements.

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 of directors 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 2020 Indenture 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 indebtedness under credit facilities. Under the Indenture, ERC is 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 Indenture 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 Indenture 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 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 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, including the Capquest Group prior to the Capquest Acquisition. In particular, unless otherwise indicated, the Capquest Group's Gross ERC figures shown in this Offering Memorandum represent our view of such Gross ERC based on the account-level re-underwriting of the Capquest Group's loan portfolios using our proprietary ERC forecasting model. These figures are different from the Gross ERC figures that the Capquest Group has historically presented.

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:

- ***84-Month Net ERC*** and ***120-Month Net ERC*** (together ***Net ERC***), which means 84-Month Gross ERC and 120-Month Gross ERC, respectively, less expected Collection Activity Costs;
- ***Adjusted EBITDA ratio***, which represents the ratio of Adjusted EBITDA to Core Collections;
- ***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;
- ***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;
- ***Net debt***, which represents the sum of the outstanding principal amount of the 2020 Notes (and, going forward, the Notes) and amounts outstanding under the Arrow Global Revolving Credit Facility, less cash and cash equivalents. Net debt does not include deferred consideration payable in relation to loan portfolio purchases or accrued interest under the 2020 Notes and, going forward, the Notes; 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.

This Offering Memorandum also includes corresponding measures and ratios with respect to the Capquest Group that are not presented in or derived from measures that are presented in, the Capquest Group's financial statements, and are not prepared in accordance with IFRS.

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 and the Capquest Group define as net cash flow used in operating activities adjusted to exclude the effects of purchases of loan portfolios, purchases of loan notes, proceeds from disposal of purchased loan portfolios, income taxes and overseas taxation paid, working capital adjustments, amortization of acquisition and bank facility fees, fair value losses/(gains) on interest rate swaps, interest payable and settlement provisions, and including the effects of (loss)/profit on disposal of purchased loan portfolios, gain/(loss) on fair values on derivatives and foreign exchange gains/(losses). See ''Summary—Summary Consolidated Historical Financial and Other Data'' for reconciliations of Adjusted EBITDA to net cash flow from operating activities, as well as two supplementary reconciliations, for both the Group and the Capquest Group.

  We present Adjusted EBITDA because we believe it 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, and because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies. 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; and

- ***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.

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 attributable to equity shareholders 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.

Further, this Offering Memorandum 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.

LTM Financial Data

The Group

We present in this Offering Memorandum for illustrative purposes unaudited historical income statement and cash flow data for the 12 months ended June 30, 2014, which are derived from our audited and unaudited consolidated financial statements. These data have been calculated by the addition of our consolidated financial data for the year ended December 31, 2013 and our unaudited condensed consolidated interim financial data for the six months ended June 30, 2014 and the subtraction of our unaudited condensed consolidated interim financial data for the six months ended June 30, 2013. As our financial year ends on December 31, the presentation of these data is not made in accordance with IFRS. We present these data as they are the basis for certain ratios and as adjusted financial information included in this Offering Memorandum that we believe are useful as supplemental measures for investors in assessing the impact of the Capquest Acquisition and our ability to incur and service debt. These data are not necessarily indicative of the results that may be expected for the year December 31, 2014, and should not be used as the basis for, or prediction of, an annualized calculation.

Capquest Group

We present in this Offering Memorandum for illustrative purposes unaudited historical income statement and cash flow data of the Capquest Group for the 12 months ended June 30, 2014. These data have been calculated by the addition of the consolidated historical financial data of the Capquest Group for the year ended March 31, 2014 and the unaudited interim consolidated financial data of the Capquest Group for the three months ended June 30, 2014 and the subtraction of the unaudited interim consolidated financial data of the Capquest Group for the three months ended June 30, 2013. As the financial year of the Capquest Group ends on March 31, the presentation of these data is not made in accordance with IFRS. We present these data as they are the basis for certain as adjusted financial information included in this Offering Memorandum that we believe are useful as supplemental measures for investors in assessing the impact of the Capquest Acquisition and our ability to incur and service debt. These data should not be used as the basis for, or prediction of, an annualized calculation.

Combined Financial Information

We also present certain financial and operational measures of performance on a ''Combined'' basis, which presentation represents an aggregation of the relevant measures for the Group and the Capquest Group for the relevant period, except for Combined Adjusted EBITDA, post-anticipated synergies and cost savings, which, in addition to the aggregation of Adjusted EBITDA for the Group and the Capquest Group, gives effect to certain synergies and cost savings that we anticipate as a result of the Capquest Acquisition. See ''Summary—Summary Consolidated Historical Financial and Other Data.''

The presentation of Combined information is not made in accordance with IFRS, and excludes any accounting or *pro forma* adjustments that would be applied to present consolidated or as adjusted financial information.

As Adjusted Financial Information

We also present in this Offering Memorandum certain financial information as adjusted to give effect to the Capquest Acquisition, the conversion, prior to the Offering, of the 2013 Shareholder Loan into Subordinated Shareholder Funding (under the 2020 Indenture, which has the same meaning in the Indenture) (the ***Loan Conversion***), the Offering and the use of proceeds therefrom and cash on hand to fund the Capquest Acquisition (including to repay the Capquest Group's indebtedness) and to repay a portion of the amounts drawn under the Arrow Global Revolving Credit Facility, among other things. The adjustments made in order to present such financial information have been made based on available information and assumptions that our management believes are reasonable. The as adjusted financial information is for informational purposes only and does not necessarily present what our results would actually have been had the Capquest Acquisition, the Loan Conversion and the Offering (and the use of proceeds therefrom and cash on hand) actually occurred on June 30, 2014 or July 1, 2013, as the case may be, nor should it be used as the basis of projections of our results of operations or financial condition for any future period. This as adjusted financial information is not in accordance with IFRS.

Unaudited Pro forma Condensed Combined Financial Information

We also present in this Offering Memorandum unaudited *pro forma* condensed combined financial information as of and for the six months ended June 30, 2014 and for the year ended December 31, 2013. The unaudited *pro forma* condensed combined financial information is presented to illustrate the effects of the Capquest Acquisition, the Offering and the use of the proceeds therefrom and cash on hand to fund the Capquest Acquisition (including to repay the Capquest Group's indebtedness) and to repay a portion of the amounts drawn under the Arrow Global Revolving Credit Facility, among other things, on our historical financial position and results of operations. See ''Unaudited *Pro Forma* Condensed Combined Financial Information'' for additional information on such *pro forma* financial information and a description of the assumptions used in creating such *pro forma* financial information.

The unaudited *pro forma* condensed combined financial information 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. The adjustments made in order to present the unaudited *pro forma* condensed combined financial information are based on available information and certain assumptions that we believe are reasonable. Neither the *pro forma* adjustments to the historical financial information nor the resulting unaudited *pro forma* condensed consolidated financial information has been audited or reviewed in accordance with applicable auditing standards. Any reliance you place on this information should fully take this into consideration.

The unaudited *pro forma* condensed combined financial information is for informational purposes only and should not be considered indicative of actual results that would have been achieved had the Transactions been completed on the dates indicated and do not purport to indicate our future consolidated results of operations or financial position. The actual results may differ significantly from those reflected in the unaudited *pro forma* combined financial information for a number of reasons, including, but not limited to, differences in assumptions used to prepare the unaudited *pro forma* condensed combined financial information.

The unaudited *pro forma* condensed combined financial information should be read in conjunction with the information contained in ''Summary—Summary Consolidated Historical Financial and Other Data,'' ''Selected Historical Consolidated Financial Data,'' ''Management's Discussion and Analysis of Financial Condition and Results of Operations,'' our consolidated financial statements and the consolidated financial statements of the Capquest Group, appearing elsewhere in this Offering Memorandum.

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.

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. Our primary source for third party industry data and forecasts was a report prepared for us by OC&C Strategy Consultants (***OC&C***). 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.''

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 or $ are to the lawful currency of the United States.

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 pound sterling or the euro amounts referred to in this Offering Memorandum have been, could have been or could, in the future, be converted into euro or pounds 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, 2009	1.1275	1.1233	1.1861	1.0451
December 31, 2010	1.1664	1.1663	1.2358	1.0967
December 31, 2011	1.1987	1.1525	1.2045	1.1062
December 31, 2012	1.2317	1.2332	1.2857	1.1774
December 31, 2013	1.2041	1.1779	1.2343	1.1433
Six months ended June 30, 2014	1.2493	1.2176	1.2529	1.1908
Month ended				
April 30, 2014	1.2166	1.2126	1.2187	1.2051
May 31, 2014	1.2289	1.2263	1.2354	1.2155
June 30, 2014	1.2493	1.2438	1.2529	1.2291
July 31, 2014	1.2610	1.2613	1.2673	1.2537
August 31, 2014	1.2639	1.2542	1.2639	1.2456
September 31, 2014	1.2836	1.2646	1.2836	1.2449
October, 2014 (through October 23, 2014)	1.2677	1.2669	1.2823	1.2478

(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 October 23, 2014 was €1.2677 = £1.00.

This Offering Memorandum contains translations of certain pounds sterling amounts into euro. Unless otherwise stated, such pounds sterling amounts are translated into euro at the rate of €1.2493 per £1.00 (the closing rate at June 30, 2014).

Fluctuations in the value of the pound sterling relative to the euro may have a significant effect on the translation into euros of our pound sterling 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.'' and ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Qualitative and Quantitative Disclosure of Market Risk—Foreign currency risk.''

Pounds Sterling and U.S. Dollars

The following table sets forth, for the periods indicated, the Bloomberg Composite 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, in the future, be 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, 2009	1.6170	1.5670	1.6989	1.3753
December 31, 2010	1.5612	1.5458	1.6362	1.4334
December 31, 2011	1.5543	1.6041	1.6707	1.5343
December 31, 2012	1.6255	1.5852	1.6279	1.5318
December 31, 2013	1.6557	1.5649	1.6557	1.4867
Six months ended June 30, 2014	1.7106	1.6649	1.7106	1.6305
Month ended				
April 30, 2014	1.6873	1.6748	1.6873	1.6575
May 31, 2014	1.6755	1.6841	1.6975	1.6711
June 30, 2014	1.7106	1.6917	1.7106	1.6737
July 31, 2014	1.6886	1.7074	1.7191	1.6858
August 31, 2014	1.6598	1.6698	1.6886	1.6540
September 31, 2014	1.6213	1.6306	1.6608	1.6104
October, 2014 (through October 23, 2014)	1.6030	1.6082	1.6186	1.5904

(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 October 23, 2014 was $1.6030= £1.00.

Euros and U.S. Dollars

The following table sets forth, for the periods indicated, the Bloomberg Composite 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, in the future, be 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, 2009	1.4321	1.3948	1.5134	1.2530
December 31, 2010	1.3384	1.3266	1.4513	1.1923
December 31, 2011	1.2961	1.3926	1.4830	1.2907
December 31, 2012	1.3193	1.2860	1.3458	1.2061
December 31, 2013	1.3743	1.3285	1.3802	1.2780
Six months ended June 30, 2014	1.3692	1.3710	1.3934	1.3486
Month ended				
April 30, 2014	1.3867	1.3811	1.3886	1.3705
May 31, 2014	1.3635	1.3733	1.3928	1.3591
June 30, 2014	1.3692	1.3600	1.3692	1.3532
July 31, 2014	1.3390	1.3538	1.3679	1.3390
August 31, 2014	1.3132	1.3314	1.3427	1.3132
September 31, 2014	1.2631	1.2895	1.3150	1.2631
October, 2014 (through October 23, 2014)	1.2646	1.2695	1.2838	1.2516

(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 October 23, 2014 was $1.2646= €1.00.

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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 one of the UK's largest 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 £827.3 million as of June 30, 2014.

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.

As of June 30, 2014, we owned and managed defaulted debt portfolios with an aggregate face value of £10.6 billion, including £8.3 billion of purchased loan portfolios (£352.8 million based on book value) and approximately 5.4 million owned customer accounts. Our Adjusted EBITDA, which we believe is representative of our operating cash generation, has grown from £44.3 million in the year ended December 31, 2011 to £94.7 million in the 12 months ended June 30, 2014. As of June 30, 2014, 79.7% (by purchase price) and 72.5% (by 120-Month Gross ERC) of the defaulted debt portfolios that we had purchased were originated in the UK, with the remaining 20.3% (by purchase price) and 27.5% (by 120-Month Gross ERC) having been originated in Portugal. As of June 30, 2014, 83.6% of our defaulted debt portfolios across the UK and Portugal (by purchase price) were financial services loan portfolios (with the remaining consisting of retail, telecommunications and student loan portfolios). 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, approximately 75% of our Core Collections are derived from long-term payment plans with small, regular, annuity-like payment arrangements and the remaining 25% are on settlement arrangements, which can include a discount to the face amount of the loan outstanding. Our average monthly payment received during the three months ended June 30, 2014 for our UK loan portfolios was £21.24.

We believe that debt purchasers such as us will continue to play a 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 (without charging customers additional interest or penalties on their defaulted accounts, excluding statutory interest) 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 creates strong incentives for customers to continue paying once a repayment plan has been established.

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, many debt purchasers face significant data limitations in valuing an account prior to purchase. 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. We have access to data for approximately 17.5 million records through the PCB (including approximately 5.4 million purchased accounts in our own database). 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.

We have purchased debt portfolios originated by over 50 Debt Originators. Our experienced debt origination team maintains 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.

We have an established record of underwriting accuracy, having collected 102% of our gross original underwriting cash targets between January 1, 2009 and June 30, 2014. 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.

Compliance and risk management are at the core of our business culture and operations. We place great importance on the fair treatment of our customers and experience a relatively low level of complaints, with an average of nine FOS filed complaints received by us and our DCAs per one million owned accounts during the six months ended June 30, 2014, which we believe is among the lowest in the industry. In order to more closely match compliance responsibilities with the risks embedded within our different business functions of oversight, implementation and performance, the Arrow Global Group has a three level risk and compliance framework, which is supported by its CRO, 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.'' Since the migration of the regulation and supervision of consumer credit businesses and activities in the UK from the OFT to the FCA, effective April 1, 2014, our business has been regulated by the FCA.

We believe that the combination of our position as a leader in the growing debt purchase market, our flexible business model (which provides us with a relatively low cost base) and our disciplined approach to debt origination and underwriting mean that we are well placed to continue to grow over the coming years, as new debt purchase 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 a combination of the Capquest Acquisition (discussed below), our data capabilities, relationships with DCAs and Debt Originators, and experienced management team positions us well to maintain our leading position in the European debt purchase industry.

The Capquest Acquisition

On September 23, 2014, we entered into an agreement (the ***Capquest Acquisition Agreement***) to acquire the Capquest Group, a leading UK consumer debt purchaser (based on 120-Month Gross ERC) and outsourced collections provider (based on 120-Month Gross ERC) (the ***Capquest Acquisition***). We believe that the Capquest Acquisition will further support our ambition to be the leading European debt purchase and receivables management business with leading platforms in unsecured and secured consumer loans in the financial services, telecommunications, retail, student loans and motor finance sectors. We expect the Capquest Acquisition to strengthen our market position, adding a customer-focused collections platform. The Capquest Acquisition is consistent with our strategy of expanding into new asset classes and, we believe, will provide access to a more diverse range of origination sources to increase access to portfolio purchase opportunities at attractive returns. Further, we expect the combination of the Capquest Group's in-house collection capabilities with our master servicing model will provide us with an enhanced collection model from a cost, operational and regulatory perspective. The Capquest Acquisition will also add to our significant data assets, including the PCB, and is expected to increase our match rates and enhance collections performance.

After reflecting the Capquest Acquisition:

- for the 12 months ended June 30, 2014, we would have generated:
  - Combined income from purchased loan portfolios of £125.5 million;
  - Combined total revenue of £128.9 million;
  - Combined Adjusted EBITDA, pre-anticipated synergies and cost savings, of £128.8 million; and
  - Combined Adjusted EBITDA, post-anticipated synergies and cost savings, of £135.3 million, and
- as of June 30, 2014, we would have had £15.4 billion in Combined receivables under management by face value (£12.4 billion of which would have been owned by us), and 8.9 million Combined accounts under management (8.2 million of which would have been owned by us), generating a Combined 120-Month Gross ERC of £1,051.8 million.

Our Key Strengths

We believe we benefit from the following key strengths:

A market leader in high growth markets

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.

OC&C estimates that there were an estimated £335 billion of unsecured consumer indebtedness outstanding in the UK as of the end of 2013, with high levels of unsecured consumer lending set to continue. Debt Sellers' propensity to sell defaulted consumer debt in the UK has recovered to pre-recession levels, and is expected to continue to grow.

We are a leader in this growing market: in the last three and a half years, we believe we have been one of the largest acquirers of debt by face value and by purchase price in the UK. As of June 30, 2014, we had, since our inception, invested £468.1 million in the acquisition of purchased loan portfolios with an aggregate face value of £8.3 billion, comprising 5.4 million purchased accounts, generating an 84-Month Gross ERC of £701.7 million and a 120-Month Gross ERC of £827.3 million. We believe that we are one of the top three debt purchasers in our core markets by 120-Month Gross ERC. The Capquest Acquisition is expected to strengthen our position further. As of June 30, 2014, we would have had purchased loan portfolios with a Combined aggregate face value of £12.4 billion, comprising 8.2 million purchased accounts, generating a Combined 84-Month Gross ERC of £892.6 million and a Combined 120-Month Gross ERC of £1,051.8 million.

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, asset quality review under the ECB Single Supervisory Mechanism and new accounting rules (IFRS 9 *Financial Instruments*) on the recognition of expected losses on financial instruments and on loan commitments. We believe that the Capquest Acquisition will enhance 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 contingency collection business.

Our leading position and track record of innovation, customer engagement, compliance and financial performance has been recognized within the industry. In 2013, we were ranked first 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 2012, we were ranked ''joint first'' in the same index.

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. In Portugal, the stock of non-performing loans has increased from €5 billion at the end of 2008 to €19 billion at the end of 2013. We believe that we are one of the market leaders in the purchase of unsecured defaulted debt in Portugal, with €2.0 billion of assets purchased (measured by face value) and approximately 500,000 accounts as of June 30, 2014 (with €1.0 billion of assets purchased (measured by face value) during the six months ended June 30, 2014). We expect to continue to pursue attractive opportunities to acquire loan portfolios in Portugal.

Growth in the debt purchase markets in the UK and Portugal 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.

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

We believe that we are well positioned in a debt purchase market where a number of key attributes are required to be successful in the long-term.

We have strong 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 is a trend among some large Debt Originators towards consolidation around a few trusted leading debt purchasers with scale, and a reduction in the size of Debt Sellers' panels as they favor stronger, longer lasting relationships with fewer participants.

We believe that scale is advantageous in maintaining a leading position in the debt purchase industry. We believe that our scale, which will be augmented by the Capquest Acquisition, 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.

Experience and funding are no longer the only pre-requisites for participating in the debt purchase market. 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. There has been an increased focus on collection practices leading to more stringent compliance requirements for debt purchasers, particularly with the transition of regulatory oversight from the OFT to the FCA, alongside the rest of the consumer credit industry, in April 2014. Customers are at the core of our business culture and operations, and we place great importance on the fair treatment of our customers and experience low levels of complaints, with an average of nine FOS filed complaints received per one million owned accounts, during the six months ended June 30, 2014. We believe this is among the lowest level of complaints in the debt purchase and wider UK consumer credit industry.

Leading data and analytics capabilities

Many defaulted accounts sold by Debt Sellers contain inaccurate or incomplete data. This is often as 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 holds data for approximately 17.5 million records (including the records for approximately 5.4 million accounts held in our own database). 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 six months ended June 30, 2014, we were able to identify, prior to purchase, on average 40% 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.

Following the Capquest Acquisition, we intend to combine the Capquest Group's 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, has predominantly invested in financial services loan portfolios), we expect our ''match'' rates for recently purchased UK loan portfolios to improve from the current 40% (our average match rate for the six months ended June 30, 2014) to approximately 50% (based on a sample of three financial services portfolios to which we applied combined Group and Capquest Group data).

Diversified origination capabilities

We benefit from an experienced debt origination team and a well-established and respected brand, having purchased loan portfolios from over 50 Debt Originators. 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 with the opportunity to bid for a substantial portion of all publicly auctioned defaulted debt portfolio sales in the UK. In addition, approximately 63% of our portfolio acquisitions in the UK since 2010 (approximately 40% for the year ended December 31, 2013 and approximately 63% for the six months ended June 30, 2014) 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. Because we use a breadth of origination sources, we are able to target those portfolios that offer the most attractive returns.

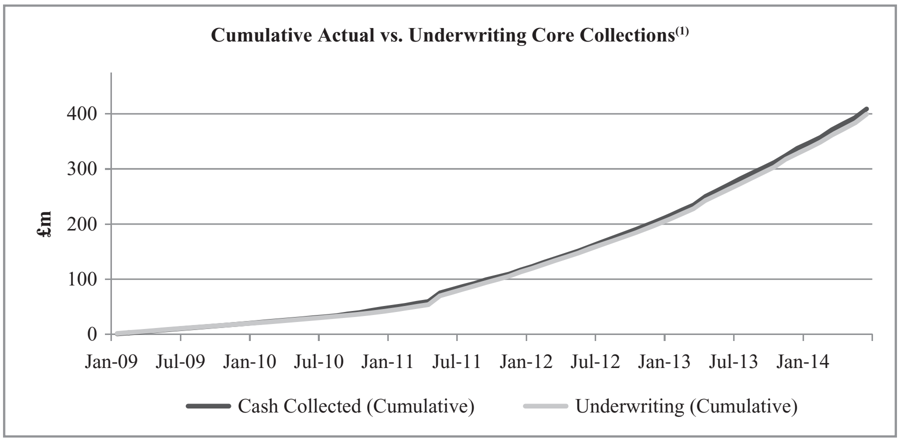
We believe that the Capquest Acquisition will benefit our origination capabilities by enabling us to leverage what we believe to be Capquest Group's existing strong relationships with major UK banks and major Debt Originators outside of the financial services market. We also believe that the capacity to provide both purchase and collection-based capabilities to clients will increase debt purchasing opportunities and enable 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).

In addition, the use of specialist DCAs (which we expect to continue after the completion of the Capquest Acquisition) 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 mortgage and student loan portfolios, where we would not use our collection capabilities. Our model allows us to purchase a number of large and diversified loan portfolios from Debt Sellers who are looking to sell highly diverse accounts in a single transaction.

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 80 and 100 portfolio acquisition opportunities, of which we price between 40 and 50 portfolios and ultimately acquire approximately 20 portfolios after a comprehensive multi-stage review process. We have an established record of achieving collections on purchased portfolios against our original underwriting projections across vintages and asset classes, having collected 102% of our gross original underwriting cash targets from January 1, 2009 to June 30, 2014, which we attribute to our comprehensive approach to identifying and acquiring debt portfolios, which results from our sophisticated data assets and analytics capabilities.

The following graph sets out our cumulative cash flows actually collected compared to the estimated cash flows at the time of underwriting:



(1) Prior to our acquisition by the RBS Special Opportunities Fund, all purchased loan portfolios were underwritten and accounted for using U.S. accounting standards and practices. This was as a result of our formerly being part of Sallie Mae, a U.S. company. Following our acquisition by the RBS Special Opportunities Fund on January 21, 2009, all of the purchased loan portfolios owned by us at that time were re-underwritten using updated standards, our accounting treatment of these portfolios was changed to be made consistent with IFRS and all subsequent reporting reflected only collections earned on these portfolios after January 21, 2009 and the purchase price of these portfolios was reflected in our 2009 acquisition by the RBS Special Opportunities Fund.

Flexible operating and collection model

We operate a master servicing model using a panel of specialist DCAs. We believe this collection model provides a number of benefits and has supported our rapid growth over the past few years as it 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 our DCA partners operate on a largely contingent basis, with commission rates fixed at the point of placement, our Collection Activity Costs (which accounted for 57.0% of our total operating expenses post-non-recurring items for the six months ended June 30, 2014) 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 22 pence per £1 collected for the 12 months ended June 30, 2014. 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.

Following the Capquest Acquisition and the integration of Capquest Group's customer-focused in-house collection platform, we expect to manage approximately 40% of the UK collections of the combined business in-house. For the remaining approximately 60% of collections, we expect to continue to work with specialist outsourced DCAs, but also expect to accelerate our current DCA panel rationalization process to result in a core group of strategic DCA partners. We believe that this flexible model will enable us to utilize fully what we believe to be a high-quality customer-focused servicing platform and improve further our ability to oversee a smaller outsourced DCA panel, thereby improving the overall experience of our customers. We also believe that this model will enable us to continue to enjoy an efficient and flexible cost structure, with approximately 60% of our cost base (based on Combined figures for the 12 months ended June 30, 2014 and taking into account anticipated synergies and costs savings as a result of the Capquest Acquisition) still being variable.

Highly cash generative business

We are highly cash generative, meaning we have surplus cash available to grow and reinvest in our business. In the 12 months ended June 30, 2014, we generated Core Collections of £134.6 million, resulting in Adjusted EBITDA for the period of £94.7 million, which in turn converted into £89.6 million of free cash flow pre-financing, taxes and portfolio purchases at a 94.6% conversion ratio. Our strong collections experience on our Existing Portfolios led to growth of 11.8% in Adjusted EBITDA to £48.5 million for the six months ended June 30, 2014, compared to £43.4 million for the six months ended June 30, 2013. This follows growth from £44.3 million of Adjusted EBITDA for the year ended December 31, 2011 to £89.6 million for the year ended December 31, 2013 (at a compound annual growth rate of 42.2%).

After giving effect to the Capquest Acquisition, in the 12 months ended June 30, 2014, we would have generated Combined Core Collections of £195.2 million, Combined Adjusted EBITDA, pre-anticipated synergies and cost savings, of £128.8 million and Combined Adjusted EBITDA, post-anticipated synergies and cost savings, of £135.3 million.

As of June 30, 2014, we estimate, on the assumption that portfolios are purchased at our target Gross Cash-on-Cash Multiple, that portfolio purchases of approximately £50 million per year (approximately £70 million per year on a Combined basis) are required to maintain a constant 84-Month Gross ERC and 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 £145.5 million of Gross ERC expected in the 12 months from June 30, 2014 (£193.7 million on a Combined basis), and 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—Significant Factors Affecting Results of Operations—Loan portfolio purchases'' and ''Business of the Capquest Group—Financial Profile and Performance—Portfolio Overview—Purchases of loan portfolios.''

As set forth in the table below, our cash generation since the issuance of the 2020 Notes in January 2013 has enabled us to maintain what we believe is a prudent level of debt in our balance sheet.

	12 months ended			
	December 31, 2012 (pro forma)(1)	June 30, 2014 (actual)	June 30, 2014 (as adjusted)(2)	
		Excluding 2013 Shareholder Loan(3)	Pre-anticipated synergies and cost savings	Post-anticipated synergies and cost savings
Net debt (£m)	179.4	229.8	402.8	402.8
Ratio of net debt to LTM Adjusted EBITDA	2.9x	2.6x	3.1x	3.0x
Ratio of LTM Adjusted EBITDA to interest expense	3.4x	5.2x	4.5x	4.7x
Ratio of net debt to 84-Month Gross ERC (%)	38.6	32.7	45.1	45.1
Ratio of net debt to 120-Month Gross ERC (%)	32.5	27.8	38.3	38.3

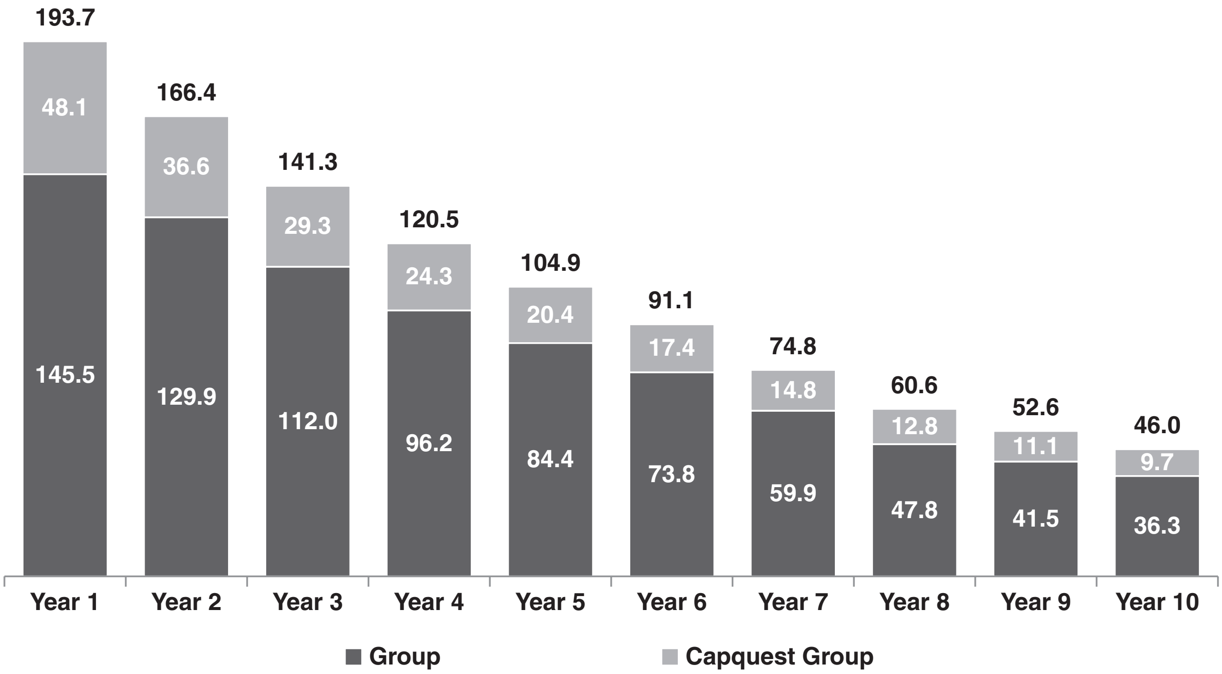
(1) As reflected in the offering memorandum for the 2020 Notes.

(2) Giving effect to the Capquest Acquisition, the Loan Conversion, the Offering and the use of proceeds therefrom and cash on hand to fund the Capquest Acquisition (including to repay the Capquest Group's indebtedness) and to repay a portion of the amounts drawn under the Arrow Global Revolving Credit Facility, among other things, as if such events had occurred on June 30, 2014 (with respect to consolidated balance sheet data) or July 1, 2013 (with respect to consolidated statement of comprehensive income data). See ''Summary Consolidated Historical Financial and Other Data—As adjusted financial information.''

(3) See ''Summary Consolidated Historical Financial and Other Data'' and ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources'' for details relating to the 2013 Shareholder Loan of £41.7 million.

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, 80% of our Core Collections for the 12 months ended June 30, 2014 was derived from assets acquired prior to July 1, 2013 (82% on a Combined basis). As a result, we have significant value and predictable future cash flows embedded in our Existing Portfolios, with 120-Month Gross ERC of £827.3 million (£1,051.8 million on a Combined basis) as of June 30, 2014. The following chart sets forth the yearly Gross ERC for us and the Capquest Group, and on a Combined basis, as of June 30, 2014.



Note: the Capquest Group's Gross ERC figures represent our view of such Gross ERC based on the account-level re-underwriting of the Capquest Group's debt portfolios using our proprietary ERC forecasting model.

We focus primarily on purchasing financial services loan portfolios which typically have a higher average balance (relative to other types of debt). Because of this, higher average balance 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 June 30, 2014, financial services loan portfolios accounted for 88.3% of our 120-Month Gross ERC (86.3% on a Combined basis) with an average account balance of £2,274 (£2,407 on a Combined basis), 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 75% of Core Collections from our Existing Portfolios derived from small, regular, annuity-like payment arrangements for the six months ended June 30, 2014 (approximately 75% on a Combined basis). Approximately 450,000 customers (approximately 650,000 on a Combined basis) with such arrangements have made a payment in the three months to June 30, 2014, most of which were through regular payment methods such as direct debit. The face value of the debt attributed to these accounts represented 1.6 times and 1.3 times our 84-Month Gross ERC and 120-Month Gross ERC, respectively (1.8 times and 1.5 times, respectively, on a Combined basis) as of June 30, 2014.

As of June 30, 2014, retail loan portfolios accounted for 8.4% of our 120-Month Gross ERC (9.4% on a Combined basis) with an average account balance of £490 (£497 on a combined basis), student loan portfolios accounted for 2.9% of our 120-Month Gross ERC (2.3% on a Combined basis) with an average account balance of £2,066, and telecommunications loan portfolios accounted for 0.4% of our 120-Month Gross ERC (1.1% on a Combined basis) with an average account balance of £314 (£317 on a Combined basis). In addition, following the Capquest Acquisition, we will have motor finance portfolios, which, as of June 30, 2014, would have constituted 0.9% of our Combined 120-Month Gross ERC with an average account balance of £3,318.

As of June 30, 2014, our loan portfolios in the UK had an average account balance of £1,308 (£1,376 on a Combined basis).

Experienced management and skilled staff

We are managed by a leadership team with extensive, and complementary, experience, and our six senior executives together have considerable risk management, credit and finance experience. Our CEO, Tom Drury, has over 18 years' executive leadership experience, including as Group Chief Executive of a FTSE 250 company. Our Executive Director, Zachary Lewy, who has 16 years' experience in debt purchase, debt collection and call center management, 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 CFO, Robert Memmott, has over 18 years' experience in senior financial leadership roles within private equity backed and listed companies. Our Chief Operating Officer, Georgina Hayes, has 13 years' experience in the delivery of operational business systems with specific expertise in the area of risk and mapping statute and regulatory guidance onto business processes. Our Chief Risk Officer, Steven Greenwood, has over 10 years of experience in senior risk roles.

Following the Capquest Acquisition, Helen Ashton, the current CEO of the Capquest Group and former managing director of Barclaycard International, will join our senior management team. We believe that our combined management team following the Capquest Acquisition will be key to our growth strategy going forward and to leading the integration of the businesses of the Arrow Global Group and the Capquest Group.

Data assets and analytics are at the core of our business, and this is reflected in our highly qualified and skilled staff, who receive ongoing training and development. A significant number of our employees have a degree qualification or better, including postgraduate and professional degrees. With the addition of in-house collections capability and call center operations following the Capquest Acquisition, our employees will 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 will further contribute to our success.

Our Strategy

Our vision has been, and following the Capquest Acquisition will continue to be, to become the leading data-driven debt purchaser in the markets in which we operate. Our strategy is to grow by leveraging our sophisticated data-driven business model and leading position in growing markets through the following strategic objectives.

Protect and enhance our position as a leading debt purchase and receivables management business and build on the platform created by our track record to date

We (and the Capquest Group) 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 a core group of creditors.

Both we and the Capquest Group have purchased over 80% 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 in the UK (and, in our case, also in Portugal). We believe that the high average balance of most financial services loan portfolios that we acquire gives long-term earnings visibility through the ''long tail'' of resulting predictable cash flows. We intend to maintain our leading position in financial services debt in both the UK and the Portuguese markets.

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 the 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. We will continue to invest in our strong conduct risk management culture to strengthen our recognition by major Debt Sellers as operating at a level of compliance consistent with best practice by their own standards.

Pursue a risk-adjusted investment return approach and optimize our balance sheet

We intend to build on our business model, and our and the Capquest Group's partnerships with major Debt Sellers, to continue purchasing 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 been ''in-situ'' portfolios where our DCA partners are already servicing a portion of the underlying accounts, complex and diverse portfolios, accounts for which we are already providing asset management services and portfolios where our sophisticated data assets can provide a high match rate during underwriting. Alongside this focused origination strategy, we have maintained, and seek to continue to maintain, strong governance around our underwriting processes and are disciplined in ensuring we acquire portfolios in line with our risk-adjusted target returns. We believe that our underwriting discipline, the strength of our and the Capquest Group's 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. We seek to optimize our balance sheet and, in this connection, establish the right balance of debt within our capital structure.

Maintain and develop our innovative data assets and analytical capabilities and supply chain excellence

We seek to continue to develop our data analysis tools to enable a better understanding of individual customers' circumstances. For example, we seek 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. Furthermore, we also invested in a new raw data bureau during 2013, under an agreement similar to the one we have with Experian, which has resulted in improved customer tracing and forecasting.

Deliver a sophisticated customer experience and minimize regulatory risk through a cautious approach to product extension

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 customers.

Pursue diversification through a disciplined approach to geographic expansion and new asset classes

We believe that the flexibility of our approach to outsourcing collections to DCAs (which we expect will continue for approximately 60% of our collections post the Capquest Acquisition, although with an expected smaller network of DCA partners) allows us to move into new geographies and asset classes with reduced risk and investment requirements compared to debt purchasers that operate substantial in-house collections models. Our business model was successfully transported from the United States to the UK, and from the UK to Portugal. We are focused on targeted European expansion in the short-to-medium term, and seek to enter a limited number of markets (for example, the Netherlands, where we recently procured a license and concluded a pilot investment). Our European expansion could take the form of acquisitions of platforms or entry into joint ventures, business alliances, consortiums to acquire assets or other types of investments (including participations or sub-participations, total return or pass-through contracts or other similar arrangements).

Furthermore, we believe that we have developed a proven approach to purchasing ''pilot'' portfolios in new asset classes in the UK ahead of more significant investments. This piloting approach is made possible by working with specialist agencies or law firms that already possess the requisite skills and processes to manage and service such portfolios. We took this approach prior to purchasing substantial second lien mortgage and student loan portfolios, which enabled us to gain a better understanding of these asset classes before committing to larger investments.

We believe that the Capquest Group's existing presence in the motor finance sector and established capability to collect high volume low balance accounts will also enable us to diversify into new asset classes.

We seek to apply a disciplined approach to diversification into new geographies and asset classes in order to minimize regulatory risk. For example, we have strict criteria for evaluating opportunities for geographic expansion. These criteria 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, as well as markets with supportive legal and regulatory systems.

The Transactions

The Capquest Acquisition

On September 23, 2014, AGG and AGIHL entered into a sale and purchase agreement with Quest Holdings B.V. and current and former management shareholders of the Capquest Group, under which AGIHL will acquire the issued share capital of Quest Topco Limited (the holding company of the Capquest Group). A separate warranty deed was also entered into with certain management shareholders.

The consideration payable upon the completion of the Capquest Acquisition will be allocated as between (a) the repayment of shareholder funding outstanding in the form of loan notes (the ***Capquest Shareholder Loan Notes***) and management loans outstanding in the form of loan notes (the ***Capquest Management Loan Notes***), (b) repayment of third-party indebtedness of the Capquest Group under term and revolving credit facilities (the ***Capquest Term and Revolving Credit Facilities***) and certain financing arrangements with Lombard (the ***Lombard Financing Arrangements***) and (c) the consideration for the share capital of Quest Topco Limited. The valuation is underpinned by acquired portfolios re-underwritten using our proprietary models and measured against our usual targets, as well as additional value allocated to the Capquest Group's platform and other assets.

The Capquest Acquisition constitutes a Class 1 transaction for the purposes of the Listing Rules and is, therefore, conditional upon the approval of AGG's shareholders at a general meeting. If AGG does not procure shareholder approval within four months of the date of the Capquest Acquisition Agreement, AGIHL will be required to pay £1.0 million to Quest Holdings B.V. and the Capquest Acquisition Agreement will be terminated. The Capquest Acquisition is subject to certain other conditions, the non-fulfilment and non-waiver of which will also result in the termination of the Capquest Acquisition Agreement. See ''The Transactions—Capquest Acquisition'' and ''Risk Factors—Risks Relating to the Capquest Acquisition—The Capquest Acquisition is subject to conditions, and in the event it is not consummated, the Notes will be redeemed.''

The Capquest Acquisition Agreement includes customary restrictions on the activities of the Capquest Group prior to the closing of the Capquest Acquisition, as well as customary representations, warranties and indemnities that are subject to limitations and exclusions.

See ''The Transactions—Capquest Acquisition—Capquest Acquisition Agreement.''

Rationale for the Capquest Acquisition

We believe that the Capquest Acquisition is an important step in our growth strategy and helps us to advance our vision of becoming Europe's leading purchaser and manager of debt. Combining our data-driven master servicing model with the Capquest Group's customer-focused, in-house collections platform will support and enhance our business model reflecting both the scale that we have now achieved and changing industry dynamics, as debt originators reduce their panel sizes and focus on panel members' compliance and accountability in response to the FCA regulatory regime that came into effect in April 2014. We believe that the UK debt purchase sector is entering a period of increasing consolidation around a core group of leading debt purchasers, with an associated reduction in the size of debt sellers' panels as they increase their focus on stronger, longer-term relationships with a smaller number of large-scale participants. We believe that the Capquest Acquisition has compelling strategic and financial benefits, as follows:

- *Strengthened market position and increased scale.* The Capquest Acquisition enhances our position as a leading debt purchase and management business, adding Capquest Group's 2.8 million customer accounts with a face value of £4.1 billion (based on face value of portfolios acquired between September 1, 2004 and June 30, 2014) and 120-Month Gross ERC of £224.5 million as of June 30, 2014, which we believe will make us one of only two UK purchasers of non-performing unsecured consumer debt with over £1 billion of Combined 120-Month Gross ERC as of June 30, 2014, following the Capquest Acquisition.
- *Reinforced business model.* The combination of Capquest Group's customer-focused in-house collection capabilities with our master servicing model (where collections are outsourced to third party DCAs) is expected to provide us with an enhanced collection model from a cost, operational and regulatory perspective.
- *Diversification of origination sources and assets.* The Capquest Acquisition will enable us to provide both purchase and collection-based capabilities to our clients, which we believe will increase debt purchasing opportunities and has the potential to enable us to access a more diverse range of origination sources, extending our reach into new asset classes (including motor finance portfolios) and providing us the opportunity to work with creditors on a ''place-to-sell'' basis.
- *Opportunity for further data and analytics enhancements.* The Capquest Acquisition is expected to provide us with a platform for further data and analytics enhancements and to increase both account match rates and collections.
- *Financially attractive with strong synergies expected.* We believe that the Capquest Acquisition is financially attractive, with an implied enterprise value multiple of 0.7 times the Capquest Group's 120-Month Gross ERC as at March 31, 2014, based on our account-level re-underwriting of the Capquest Group's loan portfolios. We also expect to generate run-rate synergies and cost savings of £6.5 million on an annual basis commencing 2016, in connection with the integration of the business of the Capquest Group following the Capquest Acquisition.

See ''The Transactions—Capquest Acquisition—Rationale for the Capquest Acquisition.''

The Offering

We will receive the net proceeds of the offering of the Notes only if the Capquest Acquisition completes.

The gross proceeds from the Offering, together with cash on hand, will be used:

- to fund the Capquest Acquisition, including to repay amounts outstanding under, and terminate, the Capquest Shareholder Loan Notes, the Capquest Management Loan Notes, the Capquest Term and Revolving Credit Facilities (including customary breakage costs), the Lombard Financing Arrangements and the mark-to-market exposure on the Capquest Group's existing hedging arrangements;
- to repay a portion of the amounts drawn under the Arrow Global Revolving Credit Facility; and
- to pay fees and expenses in connection with the Transactions.

See ''Use of Proceeds.''

Release of proceeds of the Offering from escrow

Pending the completion of the Capquest Acquisition, the gross proceeds from the Offering will be deposited into the Escrow Account by Goldman Sachs International. The Escrow Account will be controlled by the Escrow Agent and pledged on a first-ranking basis in favor of the Trustee, on behalf of the holders of the Notes, pursuant to the Escrow Agreement. The release of the Escrowed Property will be subject to the satisfaction of certain conditions as set out in the Escrow Agreement. The Escrow Agreement will provide that the Escrowed Property will be released on the Escrow Release Date in order to fund the Capquest Acquisition. The completion of the Capquest Acquisition is subject to the satisfaction of certain conditions, including the approval of AGG's shareholders. If the Capquest Acquisition is not completed on or prior to the Escrow Longstop Date, or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price will be equal to 100% of the aggregate issue price of the Notes, plus accrued and unpaid interest, if any, from the Issue Date to the date of the special mandatory redemption. See ''Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption.''

For more information, see ''Use of Proceeds,'' ''Capitalization,'' and ''Description of the Notes.''

Recent Developments

Arrow Global Revolving Credit Facility

On September 16, 2014, we amended the Arrow Global Revolving Credit Facility to, among other things, increase Total Commitments from £55.0 million to £82.5 million (and, effective upon completion of the Capquest Acquisition, to £100.0 million) and to extend the maturity date from January 2018 to January 2019. We also secured a 50-basis point decrease in the margin component of the interest payable on drawdowns under the Arrow Global Revolving Credit Facility.

2013 Shareholder Loan

On August 27, 2014, the 2013 Shareholder Loan was converted into a subordinated loan to AGGHL qualifying as Subordinated Shareholder Funding (under the 2020 Indenture, which has the same meaning in the Indenture).

Current Trading

Group

Our Core Collections for the three months ended September 30, 2014 increased compared to the corresponding period in 2013 reflecting the increase in our purchased loan portfolios.

Between July 1, 2014 and September 30, 2014, we acquired loan portfolios with an aggregate face value of £120.0 million for £23.6 million, which, net of portfolio amortization, has increased the balance sheet value of our purchased loan portfolios. We expect our full year purchases to be in line of our previous expectations, which, we believe, will lay a strong foundation for earnings growth in future years.

As of October 28, 2014, our cash and cash equivalents had decreased by £7.3 million compared to the position as of June 30, 2014 of £17.1 million due to portfolio purchases and the payment of accrued interest on the 2020 Notes.

We maintain our focus on targeted European expansion and, in June 2014, secured the necessary license to operate, and completed a €1 million pilot portfolio investment in the Netherlands. We continue to assess a number of opportunities in European geographies with favorable market dynamics, and we also have, we believe, good visibility of a strong pipeline in the UK. We also continue to pursue a strategy to diversify our investments by asset class and geography, as well as considering other investment structures. We remain on track to deliver overall results in line with our expectations for 2014.

Capquest Group

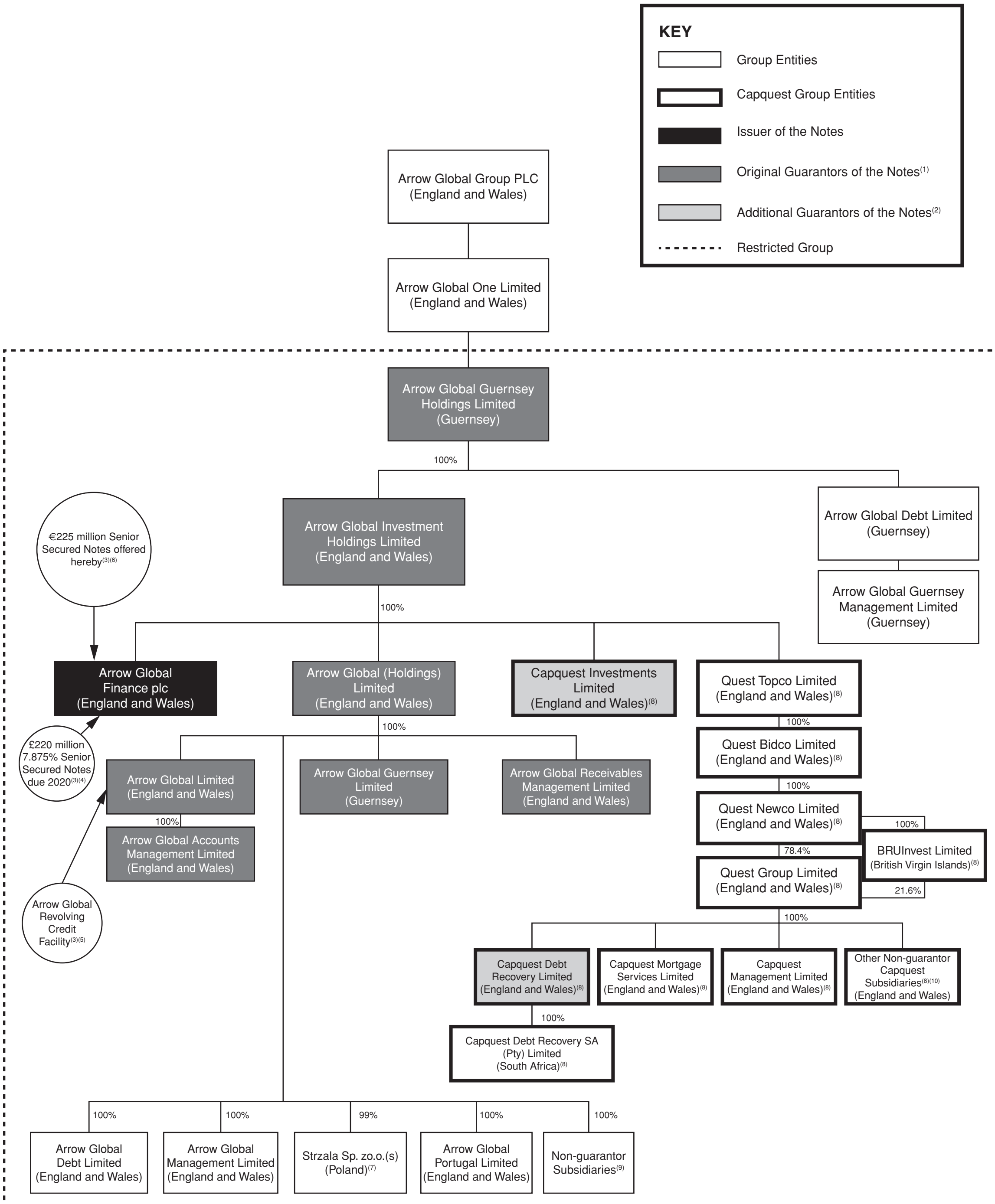
The Capquest Group's Core Collections for the three months ended September 30, 2014 decreased compared to the corresponding period in 2013, reflecting lower volumes of purchases made during the twelve months ending September 2014 compared to the corresponding period in 2013.

Between July 1, 2014 and September 30, 2014, the Capquest Group acquired loan portfolios with an aggregate face value of £20.5 million for £4.5 million, which, net of portfolio amortization, decreased the balance sheet value of its purchased loan portfolios as a result of the lower volumes of purchases. The Capquest Group continues to assess opportunities in secure segments as part of its strategy to diversify into new asset classes and leverage investment being made in its new IT platform.

As of October 28, 2014, the amounts outstanding under ''Other loans'' of the Capquest Group were approximately £8.9 million (compared to £1.6 million as of June 30, 2014), reflecting an increase in amounts outstanding under the Lombard Financing Arrangements and an additional £5.3 million loan provided by Quest Holdings B.V. As of October 28, 2014, Quest Topco Limited's share capital and share premium was approximately £35.6 million (compared to £6.3 million as of June 30, 2014) as a result of the conversion of accrued interest under the Capquest Shareholder Loan Notes, the Capquest Management Loan Notes and preference shares into ordinary equity shares of Quest Topco Limited.

Corporate and Financing Structure

The following chart depicts the corporate and financing structure of the Arrow Global Group, which includes us, in summary form after giving effect to the Transactions (including the Capquest Acquisition, which may not occur) and certain internal reorganizations. See ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Comparison of Consolidated Financial Information of AGGHL and AGG'' for a discussion of the differences between the consolidated financial statements of AGG and AGGHL. For a summary of debt obligations identified in this diagram, see ''Description of Other Indebtedness,'' ''Business of the Capquest Group—Financial Profile and Performance,'' and ''Description of the Notes.''



(1) As of June 30, 2014, the Original Guarantors held 100% of our total assets and were responsible for 99% of our total liabilities. For the 12 months ended June 30, 2014, the Original Guarantors contributed 99% of our Adjusted EBITDA and 99% of our total revenue.

(2) No later than 30 days following the Capquest Acquisition Completion Date, the Additional Guarantors are required to accede to the Indenture, the 2020 Indenture, the Intercreditor Agreement and the Arrow Global Revolving Credit Facility, and will guarantee the Notes, the 2020 Notes and the Arrow Global Revolving Credit Facility.

As of June 30, 2014, the Guarantors would have held 100% of our Combined total assets and would have been responsible for 99% of our Combined total liabilities. For the 12 months ended June 30, 2014, the Guarantors would have contributed 103% of our Combined Adjusted EBITDA, pre-anticipated synergies and cost savings and 100% of our Combined total revenue.

(3) From the Issue Date, the obligations of the Issuer and the Original Guarantors under the Notes and the Indenture will be, secured by a security interest in substantially all of the assets of the Issuer and the Original Guarantors, including in the share capital of AGIHL, the Issuer and the Subsidiary Guarantors, certain intercompany loans and certain bank accounts (collectively, the ***Original Collateral***) as more specifically described under ''Description of the Notes—Security.'' Subject to certain agreed security principles set out in the Arrow Global Revolving Credit Facility, no later than 30 days after the Capquest Acquisition Completion Date, the Notes and the Indenture are required to be further secured by security interests in the share capital of the Additional Guarantors and Quest Topco Limited, and certain other property and assets of the Additional Guarantors (the ***Additional Collateral*** and, together with the Original Collateral, the ***Collateral***). The Original Collateral also secures, and the Additional Collateral will also secure, our obligations under the Issuer's 2020 Notes and the Arrow Global Revolving Credit Facility and may also secure additional debt in the future.

(4) The £220 million 7.875% Senior Secured Notes due 2020 were issued under an indenture dated January 29, 2013 among the Issuer, AGGHL, the guarantor parties thereto, and The Bank of New York Mellon, London Branch, as trustee, as supplemented by a supplemental indenture dated March 28, 2013 (the ***2020 Indenture***). See ''Description of Other Indebtedness—2020 Notes.''

(5) As of June 30, 2014, £26.9 million was drawn under the Arrow Global Revolving Credit Facility. Between January 1, 2014 and June 30, 2014, the maximum amount drawn under the Arrow Global Revolving Credit Facility was £26.9 million. On September 16, 2014, we amended the Arrow Global Revolving Credit Facility to, among other things, increase Total Commitments from £55.0 million to £82.5 million (and, effective upon completion of the Capquest Acquisition, to £100.0 million) and to extend the maturity date from January 2018 to January 2019. We have also secured a 50 basis point decrease in the margin component of the interest payable on drawdowns under the Arrow Global Revolving Credit Facility. We expect to repay a portion of the amounts drawn under the Arrow Global Revolving Credit Facility with a portion of the net proceeds of the Offering and cash on hand. See ''The Transactions,'' ''Use of Proceeds'' and ''Description of Other Indebtedness—Arrow Global Revolving Credit Facility.''

(6) From the Issue Date to the Escrow Release Date, the Notes will be secured by first-ranking security interests granted on an equal and ratable first-priority basis over the Escrowed Property. See ''Description of the Notes.''

(7) Arrow Global Limited holds 1% of the share capital of Strzala Sp. z o.o.

(8) Prior to the completion of the Capquest Acquisition, we will not control the Capquest Group, and the Capquest Group will not be subject to the covenants described in ''Description of the Notes.'' The Capquest Acquisition constitutes a Class 1 transaction for the purposes of the Listing Rules and is, therefore, conditional upon the approval of AGG's shareholders at a general meeting. See ''Risk Factors—Risks Relating to the Capquest Acquisition—We do not currently control the Capquest Group and will not control the Capquest Group until completion of the Capquest Acquisition.''

(9) Other non-guarantor subsidiaries of the Group include Arrow Global Luna Limited, Arrow Global Massey Limited, Arrow Global Egerton Limited and Arrow Global Leigh Limited.

(10) Other non-guarantor subsidiaries of the Capquest Group include Capquest Asset Management Limited, Capquest Limited, Capquest Investments 2 Limited, Capquest UK Limited, Capquest Debt Recovery Services Limited, Care Debt Management Limited and Data Verification Services Limited.

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 . . . . €225.0 million aggregate principal amount of Senior Secured Floating Rate Notes due 2021 (the ***Notes***).

Issue Date . . . . November 4, 2014.

Issue Price . . . . 97.50% plus accrued interest, if any, from the Issue Date.

Maturity Date . . . . November 1, 2021.

Interest Rate and Payment Dates . Three-month EURIBOR plus 5.25% per annum, reset on the Determination Date (as defined under ''Description of the Notes'') payable quarterly in arrears on March 1, June 1, September 1 and December 1 of each year, commencing March 1, 2015. Interest will accrue from 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 ***Original Guarantees***) on a senior basis by the Original Guarantors.

As of June 30, 2014, the Original Guarantors held 100% of our total assets and were responsible for 99% of our total liabilities. For the 12 months ended June 30, 2014, the Original Guarantors contributed 99% of our Adjusted EBITDA and 99% of our total revenue.

No later than 30 days after the Capquest Acquisition Completion Date, the Notes are also required to be guaranteed (the ***Additional Guarantees*** and, together with the Original Guarantees, the ***Guarantees***) on a senior basis by the Additional Guarantors (together with the Original Guarantors, the ***Guarantors***).

As of June 30, 2014, the Guarantors would have held 100% of our Combined total assets and would have been responsible for 99% of our Combined total liabilities. For the 12 months ended June 30, 2014, the Guarantors would have contributed 103% of our Combined Adjusted EBITDA, pre-anticipated synergies and cost savings and 100% of our Combined total revenue.

See ''Limitations on Validity and Enforceability of Guarantees and Security and Certain Insolvency Law Considerations'' for information on limitation 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 2020 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 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 to 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 Guarantors that is secured by liens senior to the liens securing the Guarantees, or secured by property and assets that do not secure the Guarantees, 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 the Capquest Acquisition,'' ''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 Intercreditor Agreement, on the Issue Date, the obligations of the Issuer and the Original Guarantors under the Notes and the Indenture are required to be secured by:

- a first-ranking security interest over all shares in the share capital of the Issuer;
- a first-ranking security interest over all shares in the share capital of each of the Original Subsidiary Guarantors, Arrow Global Investments Holdings Limited, Arrow Global Debt Limited, Arrow Global Management Limited, Arrow Global Portugal Limited and any Trust Management SPV (as defined herein);
- 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 Original Guarantors.

No later than 30 days after the Capquest Acquisition Completion Date, the Notes will be further secured by:

- a first-ranking security interest over all shares in the share capital of Quest Topco Limited and the Additional Guarantors;
- an assignment of the intercompany loans from the Additional Guarantors to one or more restricted subsidiaries; and
- a first-ranking security interest over substantially all of the assets of the Additional Guarantors.

As at June 30, 2014, after giving effect to the Offering and the use of proceeds therefrom and cash on hand, we would have had on a consolidated basis £407.8 million of total indebtedness, all of which would be secured indebtedness.

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 2020 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.''

Escrow of Proceeds; Special Mandatory Redemption . . . . Pending the completion of the Capquest Acquisition, the gross proceeds from the Offering will be deposited into the Escrow Account by Goldman Sachs International the name of the Issuer but controlled by the Escrow Agent and pledged in favor of the Trustee on behalf of the holders of the Notes, pursuant to the Escrow Agreement. The release of the Escrowed Property will be subject to the satisfaction of certain conditions as set out in the Escrow Agreement. The Escrow Agreement will provide that the Escrowed Property will be released on the Escrow Release Date in order to fund the Capquest Acquisition.

The Notes will be subject to a special mandatory redemption if (a) the Capquest Acquisition Completion Date does not take place on or prior to the Escrow Longstop Date; (b) there occurs a repudiation by the Issuer of any of its obligations under the Escrow Agreement or the unenforceability of the Escrow Agreement against the Issuer for any reason; (c) in the reasonable judgment of the Issuer, the Capquest Acquisition will not be completed by the Escrow Longstop Date; (d) any of the conditions set forth under the Escrow Agreement in relation to the release of Escrowed Property become incapable of being satisfied on or prior to the Escrow Longstop Date; or (e) certain events of default arise as described under clause (6) of the first paragraph under ''Description of the Notes—Events of Default'' on or prior to the Escrow Longstop Date.

In the case of a special mandatory redemption, the Issuer will redeem the Notes at a price equal to 100% of the aggregate issue price of the Notes, plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to the date of the special mandatory redemption. See ''Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption.''

Optional Redemption .... At any time prior to November 1, 2017, 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 November 1, 2017, at the redemption prices described under ''Description of the Notes—Optional redemption.''

Prior to November 1, 2017, the Issuer may on one or more occasions use the net proceeds of specified equity offerings to redeem up to 40% of the principal amount of the Notes at a redemption price equal to 105.250% of the principal 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 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 will 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 £180.1 million from the Offering (assuming an exchange rate of €1.2493 = £1.00, the Bloomberg Composite Rate on June 30, 2014), before deducting the Initial Purchasers' discounts and commissions, other estimated fees and expenses payable by us in connection with the Transactions and the original issue discount. We currently intend to use the net proceeds from the Offering, together with cash on hand, to fund the Capquest Acquisition (including the repayment of existing indebtedness of the Capquest Group) and to repay a portion of the amounts drawn under the Arrow Global Revolving Credit Facility. See ''Use of Proceeds'' and ''The Transactions.''
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. 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 and Transfer Agent	The Bank of New York Mellon, London Branch.
Escrow 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 Indenture, the Notes and the Guarantees 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.
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 CONSOLIDATED HISTORICAL FINANCIAL AND OTHER DATA

Presentation of Summary Historical Consolidated Financial and Other Data

The historical financial information and operating data represented below are presented (a) on a historical basis, without giving effect to the Capquest Acquisition, for each of the Group and the Capquest Group and (b) with respect to certain key performance metrics, on an as adjusted basis giving effect to the Capquest Acquisition, the Loan Conversion, the Offering and the use of proceeds therefrom and cash on hand to fund the Capquest Acquisition (including to repay the Capquest Group's indebtedness) and to repay a portion of the amounts drawn under the Arrow Global Revolving Credit Facility, among other things.

We also present certain information on a Combined basis. Information described as ''Combined,'' in relation to a financial or operational measure of performance, means the aggregation of the relevant measures for the Group and the Capquest Group for the relevant period, and excludes any accounting or *pro forma* adjustments that may be required to present consolidated or as adjusted information.

Summary Historical Consolidated Financial Data of the Group

The following tables summarize historical consolidated financial data as of the dates and for the periods indicated, which have been derived from our audited consolidated financial statements as of and for the years ended December 31, 2011, 2012 and 2013 and the related notes, and from our unaudited interim financial statements as of and for the six months ended June 30, 2013 and 2014 and the related notes, in each case included elsewhere in this Offering Memorandum, except as discussed below. Our results of operations for prior years are not necessarily indicative of the results to be expected for any future period. Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (***IFRS***). Our interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union (***IAS 34***). The summary historical consolidated financial data also include certain financial measures and ratios that are not determined in accordance with IFRS. See ''Presentation of Financial and Other Information.''

The presentation of certain items included herein for the year ended December 31, 2011 differs from the presentation in the audited consolidated financial statements of AGGHL as of and for the year ended December 31, 2011 included elsewhere in this Offering Memorandum due to a change in classification of these items that was adopted in the audited consolidated financial statements of AGGHL as of and for the year ended December 31, 2012 and which has been applied subsequently. This change in classification was adopted in order to present these items in a manner that reflects both a fairer presentation in light of the requirements of IAS 7 ''Statement of Cash Flow'' and industry practice, and resulted in a change in the presentation of purchases of purchased loan portfolios to be accounted for within net cash flow from operating activities rather than within net cash flow from investing activities as presented in the audited consolidated financial statements of AGGHL as of and for the year ended December 31, 2011, and accordingly the prior year comparatives were restated in the audited consolidated financial statements of AGGHL as of and for the year ended December 31, 2012. The audited consolidated financial statements of AGGHL as of and for the year ended December 31, 2011 included within this Offering Memorandum have not been amended in this regard. See ''—Consolidated Cash Flow Statement Data of the Group.''

In addition, this section includes certain unaudited consolidated financial information for the 12 months ended June 30, 2014. This information was derived by adding our consolidated financial information for the year ended December 31, 2013 to our unaudited consolidated financial information for the six months ended June 30, 2014 and subtracting our unaudited consolidated financial information for the six months ended June 30, 2013. This information has been prepared solely for the purpose of this Offering Memorandum and is not prepared in the ordinary course of our financial reporting and has not been audited or reviewed. See ''Presentation of Financial and Other Information—LTM Financial Data.''

This 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,'' ''Unaudited *Pro Forma* Condensed Combined Financial Information'' and ''Management's Discussion and Analysis of Financial Condition and Results of Operations.''

Consolidated Statement of Comprehensive Income Data of the Group

	Year ended December 31,			Six months ended June 30,		12 months ended June 30,
	2011 (£'000)	2012 (£'000)	2013 (£'000)	2013 (£'000)	2014 (£'000)	2014 (£'000)
Revenue						
Income from purchased loan portfolios	47,493	62,261	87,330	42,719	49,925	94,536
Portfolio write-up(1)	816	1,241	4,843	4,746	—	97
Income from asset management	1,447	1,818	1,392	719	1,179	1,852
Other income/profit/(loss) on portfolio and loan note sales(2)	130	520	1,132	127	504	1,509
Total revenue	**49,886**	**65,840**	**94,697**	**48,311**	**51,608**	**97,994**
Operating expenses						
Collection Activity Costs	(18,152)	(19,645)	(27,994)	(14,310)	(15,632)	(29,316)
Professional fees and services	(3,243)	(4,548)	(1,721)	(1,036)	(509)	(1,194)
Of which exceptional/non-recurring items(3)(7)	2,085	1,386	—	—	—	—
Professional fees and services excluding exceptional/non-recurring items(4)(7)	(1,158)	(3,162)	(1,721)	(1,036)	(509)	(1,194)
Other operating expenses	(7,150)	(10,310)	(20,578)	(8,189)	(11,261)	(23,650)
Of which exceptional/non-recurring items(5)(7)	786	493	8,421	3,314	3,430	8,537
Other operating expenses excluding exceptional/non-recurring items(4)(7)	(6,364)	(9,817)	(12,157)	(4,875)	(7,831)	(15,113)
Total operating expenses before exceptional/non-recurring items(4)(7)	**(25,674)**	**(32,624)**	**(41,872)**	**(20,221)**	**(23,972)**	**(45,623)**
Exceptional/non-recurring items(7)	(2,871)	(1,879)	(8,421)	(3,314)	(3,430)	(8,537)
Total operating expenses after exceptional items/non-recurring(7)	**(28,545)**	**(34,503)**	**(50,293)**	**(23,535)**	**(27,402)**	**(54,160)**
Operating profit	**21,341**	**31,337**	**44,404**	**24,776**	**24,206**	**43,834**
Finance income and costs	(15,132)	(19,189)	(24,230)	(13,541)	(12,106)	(22,795)
Of which exceptional/non-recurring items(6)(7)	—	—	(3,916)	(3,916)	(143)	(143)
Finance income and costs excluding exceptional/non-recurring items(4)(7)	(15,132)	(19,189)	(20,314)	(9,625)	(11,963)	(22,652)
Profit before tax	**6,209**	**12,148**	**20,174**	**11,235**	**12,100**	**21,039**
Taxation charge on ordinary activities	(2,006)	(2,736)	(5,663)	(3,746)	(2,776)	(4,693)
Profit for the period attributable to the equity shareholder	**4,203**	**9,412**	**14,511**	**7,489**	**9,324**	**16,346**

(1) Portfolio write-up represents write-up and write-down adjustments (excluding provisions for impairment) arising when the carrying values of the loan portfolios are assessed with reference to the latest 84-Month Gross ERC discounted at the EIR as other improvements are recorded.

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

(3) See note 10 to the 2012 consolidated financial statements for the components of exceptional/non-recurring items included under professional fees and services.

(4) The figures herein, while not presented in accordance with IFRS, are derived from our financial statements that are presented in accordance with IFRS.

(5) See note 9 to the 2012 and 2013 consolidated financial statements, and note 6 of the consolidated financial statements for the six months ended June 30, 2013 and 2014, for the components of exceptional/non-recurring items included under other operating expenses.

(6) See note 7 to the 2012 and 2013 consolidated financial statements, and note 6 of the consolidated financial statements for the six months ended June 30, 2013 and 2014 for the components of exceptional/non-recurring items included under finance income and costs.

(7) Beginning January 1, 2014, we refer to ''exceptional items'' in our consolidated income statement as ''non-recurring items.'' In each case, these items are those that are separately identified by virtue of their size and incidence to allow a full understanding of our underlying performance. There is no difference in the basis of preparation of the items referred to as ''exceptional'' or ''non-recurring.''

Consolidated Balance Sheet Data of the Group

	As of December 31,			As of June 30,
	2011 (£'000)	2012 (£'000)	2013 (£'000)	2014 (£'000)
Assets				
Non-current assets				
Purchased loan portfolios	114,883	163,079	211,787	279,704
Other non-current assets(1)	4,090	3,984	5,383	5,170
Total non-current assets	**118,973**	**167,063**	**217,170**	**284,874**
Current assets				
Cash and cash equivalents	6,440	9,610	47,443	17,130
Purchased loan portfolios	35,122	45,092	62,145	73,062
Other current assets(2)	6,048	7,187	11,675	14,288
Total current assets	**47,610**	**61,889**	**121,263**	**104,480**
Total assets	**166,583**	**228,952**	**338,433**	**389,354**
Total purchased loan portfolios	*150,005*	*208,171*	*273,932*	*352,766*
Equity				
Total equity attributable to shareholder	**3,010**	**12,555**	**57,594**	**66,806**
Liabilities				
Non-current liabilities				
Arrow Global Revolving Credit Facility/Bank loan(3)	58,983	97,381	—	—
Shareholders' loan	91,703	106,585	—	—
2020 Notes/Senior secured notes(4)	—	—	211,920	212,587
Other non-current liabilities(5)	1,950	2,619	2,646	2,435
Total non-current liabilities	**152,636**	**206,585**	**214,566**	**215,022**
Current liabilities				
Trade and other payables	7,697	7,728	57,823	71,616
Arrow Global Revolving Credit Facility/Revolving credit facility(6)	—	—	—	26,946
2020 Notes/Senior secured notes(4)	—	—	5,775	5,704
Other current liabilities(7)	3,240	2,084	2,675	3,260
Total current liabilities	**10,937**	**9,812**	**66,273**	**107,526**
Total liabilities	**163,573**	**216,397**	**280,839**	**322,548**
Total equity and liabilities	**166,583**	**228,952**	**338,433**	**389,354**

(1) Other non-current assets consist of intangible assets, property, plant and equipment, 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 ''Bank loan'' in our consolidated financial statements. See ''Presentation of Financial and Other Information—Financial Information for the Group.''

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

(5) Other non-current liabilities consist of deferred consideration, non-controlling interest loan and deferred tax liability, as applicable.

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

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

Consolidated Cash Flow Statement Data of the Group

	Year ended December 31,			Six months ended June 30,		12 months ended June 30,
	2011 (£'000)	2012 (£'000)	2013 (£'000)	2013 (£'000)	2014 (£'000)	2014 (£'000)
Net cash flow from operating activities before purchases of loan portfolios and loan notes	35,043	49,242	79,312	40,361	43,199	82,150
Purchases of purchased loan portfolios	(109,744)	(84,431)	(84,308)	(50,702)	(91,197)	(124,803)
Purchases of loan notes	—	—	(1,798)	(1,798)	—	—
Net cash used in operating activities	(74,701)[1]	(35,189)	(6,794)	(12,139)	(47,998)	(42,653)
Net cash used in investing activities	(1,777)[1]	(719)	(17,371)	(18,092)	(81)	640
Net cash flow generated by financing activities	78,224	39,107	62,129	30,651	17,699	49,177
Net (decrease)/increase in cash and cash equivalents	**1,746**	**3,199**	**37,964**	**420**	**(30,380)**	**7,164**

(1) The presentation of certain items included herein for the year ended December 31, 2011 differs from the presentation in the audited consolidated financial statements of AGGHL as of and for the year ended December 31, 2011 included elsewhere in this Offering Memorandum due to a change in classification of these items that was adopted in the audited consolidated financial statements of AGGHL as of and for the year ended December 31, 2012 and which has been applied subsequently. This change in classification was adopted in order to present these items in a manner that reflects both a fairer presentation in light of the requirements of IAS 7 ''Statement of Cash Flow'' and industry practice. This reclassification resulted in a change in the presentation of Purchases of purchased loan portfolios to be accounted for within Net cash flow from operating activities rather than within Net cash flow from investing activities as presented in the audited consolidated financial statements of AGGHL as of and for the year ended December 31, 2011, and accordingly the prior year comparatives were restated in the audited consolidated financial statements of AGGHL as of and for the year ended December 31, 2012. This resulted in a decrease in net cash flow from operating activities and an increase in net cash flow from investing activities of £109.7 million for the year ended December 31, 2011, respectively, as follows:

	Year ended December 31, 2011	
	As originally stated (£'000)	As re-presented (£'000)
Net cash flow from operating activities before purchases of loan portfolios and loan notes	35,043	35,043
Purchases of purchased loan portfolios	—	(109,744)
Net cash used in operating activities	35,043	(74,701)
Net cash used in investing activities	(111,521)	(1,777)
Net cash flow generated by financing activities	78,224	78,224
Net (decrease)/increase in cash and cash equivalents	**1,746**	**1,746**

This reclassification did not affect our consolidated balance sheet or our consolidated statement of comprehensive income for the year ended December 31, 2011, nor did it affect the net increase (decrease) in cash or cash equivalents reported for the year ended December 31, 2011. The audited consolidated financial statements of AGGHL as of and for the year ended December 31, 2011 included within this Offering Memorandum have not been amended in this regard.

Net Debt of the Group

The following table presents the components of our net debt at the dates indicated.

	December 31,			June 30,
	2011 (£'000)	2012 (£'000)	2013 (£'000)	2014 (£'000)
2020 Notes/Senior secured notes (pre-netting of transaction fees)	—	—	220,000	220,000
Arrow Global Revolving Credit Facility/Revolving credit facility/Bank loan	58,983	97,381	—	26,946
Unamortized bank fees	2,205	2,594	—	—
Cash and cash equivalents	(6,440)	(9,610)	(47,443)(1)	(17,130)
Net debt excluding 2013 Shareholder Loan(2)	**54,748**	**90,365**	**172,557**	**229,816**
2013 Shareholder Loan	—	—	41,680	41,680
Net debt including 2013 Shareholder Loan(2)	**54,748**	**90,365**	**214,237**	**271,496**

(1) Includes the cash proceeds of the 2013 Shareholder Loan.

(2) Net debt excluding 2013 Shareholder Loan represents the sum of the outstanding principal amount of the 2020 Notes and amounts outstanding under the Arrow Global Revolving Credit Facility, less cash and cash equivalents, and excluding the 2013 Shareholder Loan. Net debt including 2013 Shareholder Loan represents the sum of the outstanding principal amount of the 2020 Notes, amounts outstanding under the Arrow Global Revolving Credit Facility and the 2013 Shareholder Loan, less cash and cash equivalents. On August 27, 2014, the 2013 Shareholder Loan was converted into a subordinated loan to AGGHL qualifying as Subordinated Shareholder Funding (under the 2020 Indenture, which has the same meaning in the Indenture). Going forward, net debt will include the outstanding principal amount of the Notes. Net debt does not include deferred consideration payable in relation to loan portfolio purchases or accrued interest under the 2020 Notes and, going forward, the Notes. As of June 30, 2014, we had £12.4 million of deferred consideration payable and £5.7 million of accrued interest under the 2020 Notes.

Other Financial Data of the Group

	As of and for the					
	Year ended December 31,			Six months ended June 30,		12 months ended June 30,
	2011	2012	2013	2013	2014	2014
84-Month Gross ERC (£m)(1)	367.3	464.4	564.3	548.7	701.7	701.7
120-Month Gross ERC (£m)(2)	442.2	551.3	650.3	637.4	827.3	827.3
Purchases of purchased loan portfolios (£'000)(3)	109,744	83,978	101,338(4)	68,498(4)	99,337	132,177
Number of accounts ('000)(5)	3,245	3,720	5,109	4,886	5,446	5,446
Core Collections/Collections in the period (£'000)(6)	68,248	88,720	127,840	62,509	69,265	134,596
Collection Activity Costs (£'000)(7)	18,152	19,645	27,994	14,310	15,632	29,316
Collection Cost Ratio(8)	26.6%	22.1%	21.9%	22.9%	22.6%	21.8%
Adjusted EBITDA (£'000)(9)	44,314	61,940	89,580	43,436	48,536	94,680
Adjusted EBITDA ratio(10)	64.9%	69.8%	70.1%	69.5%	70.1%	70.3%

(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 of purchased loan portfolios represent the purchase price of our purchased and acquired loan portfolios, excluding related acquisition expenses.

(4) Includes £0.5 million of student loan investments held as loan notes.

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

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

(7) Collection Activity Costs, which are presented in our statement of comprehensive income, represent the direct costs of 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.

(8) Collection Cost Ratio is the ratio of Collection Activity Costs to Core Collections.

(9) We define Adjusted EBITDA as net cash flow used in operating activities adjusted to exclude the effects of purchases of loan portfolios, purchases of loan notes, proceeds from disposal of purchased loan portfolios, income taxes and overseas taxation paid, working capital adjustments, amortization of acquisition and bank facility fees, fair value losses/(gains) on interest rate swaps, interest payable and settlement provisions and including the effects of (loss)/profit on disposal of purchased loan portfolios, gain/(loss) on fair values on derivatives and foreign exchange gains/(losses).

For supplemental purposes, we have also included a reconciliation of (loss)/profit for the period attributable to equity shareholders to Adjusted EBITDA. For purposes of this reconciliation, Adjusted EBITDA represents (loss)/profit for the period attributable to equity shareholders adjusted to exclude the effects of finance income and costs (other than exceptional/non-recurring items), taxation charge on ordinary activities, exceptional/non-recurring items included under finance income and costs, portfolio write-up, depreciation and amortization, net foreign exchange (gains)/losses, amortization of acquisition and bank facility fees, share-based payments and exceptional/non-recurring items included under professional fees and services and other operating expenses and adjusted for the effect of portfolio amortization.

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 and operating expenses, and excluding the effects of depreciation and amortization, net foreign exchange (gains)/losses, amortization of acquisition and bank facility fees, share-based payments and exceptional/non-recurring items included under professional fees and services and other operating expenses.

The following tables set forth the reconciliations of net cash flow from operating activities, (loss)/profit for the period attributable to equity shareholders and Core Collections, in each case, to Adjusted EBITDA for the periods indicated.

	Year ended December 31,			Six months ended June 30,		12 months ended June 30,
	2011 (£'000)	**2012 (£'000)**	**2013 (£'000)**	**2013 (£'000)**	**2014 (£'000)**	**2014 (£'000)**
Net cash flow used in operating activities	(74,701)	(35,189)	(6,794)	(12,139)	(47,998)	(42,653)
Purchases of purchased loan portfolios	109,744	84,431	84,308	50,702	91,197	124,803
Purchases of loan notes	—	—	1,798	1,798	—	—
Proceeds from disposal of purchased loan portfolios	(1,795)	(1,137)	(2,474)	(558)	(1,585)	(3,501)
Income taxes and overseas taxation paid	—	3,173	4,269	1,594	2,656	5,331
Working capital adjustments[(a)]	3,518	2,406	(544)	(4,370)	997	4,823
(Loss)/profit on disposal of purchased loan portfolios	(25)	520	1,132	115	504	1,521
Gain/(loss) on fair values on derivatives[(b)]	489	(424)	815	220	—	595
Amortization of acquisition and bank facility fees[(c)]	187	2,323	916	790	139	265
Foreign exchange gains[(i)]	29	—	—	—	66	66
Fair value losses/(gains) on interest rate swaps[(b)]	—	451	(894)	(533)	—	(361)
Interest payable[(d)]	3,997	3,507	1,381	896	—	485
Exceptional/non-recurring items[(e)(f)]	2,871	1,879	5,667	4,921	2,560	3,306
Adjusted EBITDA	**44,314**	**61,940**	**89,580**	**43,436**	**48,536**	**94,680**

	Year ended December 31,			Six months ended June 30,		12 months ended June 30,
	2011 (£'000)	2012 (£'000)	2013 (£'000)	2013 (£'000)	2014 (£'000)	2014 (£'000)
Profit for the period attributable to equity shareholder	4,203	9,412	14,511	7,489	9,324	16,346
Finance income and costs (other than exceptional/non-recurring items)[(g)]	15,132	19,189	20,314	9,625	11,963	22,652
Taxation charge on ordinary activities	2,006	2,736	5,663	3,746	2,776	4,693
Exceptional/non-recurring items included under finance income and costs[(e)]	—	—	3,916	3,916	143	143
Operating profit	**21,341**	**31,337**	**44,404**	**24,776**	**24,206**	**43,834**
Portfolio amortization[(h)]	20,755	26,459	40,510	19,790	19,340	40,060
Portfolio write-up	(816)	(1,241)	(4,843)	(4,746)	—	(97)
Depreciation and amortization	283	835	752	365	391	778
Net foreign exchange (gains)/losses[(i)]	(307)	348	(23)	(295)	780	1,052
Amortization of acquisition and bank facility fees[(c)]	187	2,323	359	232	139	266
Share-based payments	—	—	—	—	250	250
Exceptional/non-recurring items included under professional fees and services and other operating expenses[(e)]	2,871	1,879	8,421	3,314	3,430	8,537
Adjusted EBITDA	**44,314**	**61,940**	**89,580**	**43,436**	**48,536**	**94,680**

	Year ended December 31,			Six months ended June 30,		12 months ended June 30,
	2011 (£'000)	2012 (£'000)	2013 (£'000)	2013 (£'000)	2014 (£'000)	2014 (£'000)
Income from purchased loan portfolios	47,493	62,261	87,330	42,719	49,925	94,536
Portfolio amortization	20,755	26,459	40,510	19,790	19,340	40,060
Core Collections/Collections in the period[(k)(l)]	**68,248**	**88,720**	**127,840**	**62,509**	**69,265**	**134,596**
Income from asset management	1,447	1,818	1,392	719	1,179	1,852
Other income/profit/(loss) on portfolio and loan note sales[(j)]	130	520	1,132	127	504	1,509
Operating expenses	(28,545)	(34,503)	(50,293)	(23,535)	(27,402)	(54,160)
Depreciation and amortization	283	835	752	365	391	778
Net foreign exchange (gains)/losses[(i)]	(307)	348	(23)	(295)	780	1,052
Amortization of acquisition and bank facility fees[(c)]	187	2,323	359	232	139	266
Share-based payments	—	—	—	—	250	250
Exceptional/non-recurring items included under professional fees and services and other operating expenses[(e)]	2,871	1,879	8,421	3,314	3,430	8,537
Adjusted EBITDA	**44,314**	**61,940**	**89,580**	**43,436**	**48,536**	**94,680**

(a) Working capital adjustments include the net movement on debtors and creditors, excluding our revolving credit facilities, shareholder loans provided prior to the IPO by RB Investments 1 Limited (the ***Pre-IPO Shareholder Loans***) and related accrued interest, the 2020 Notes and related accrued interest, loans extended prior to the IPO by certain of our minority shareholders, including entities affiliated with Zachary Lewy, our Founder and Executive Director (the ***Non-Controlling Interest Loans***) and related accrued interest but including financing costs amortization relating to such borrowings, and corporation tax debtors and creditors. The following table sets forth the working capital adjustments based on our consolidated cash flow statements for the periods under review.

	Year ended December 31,			Six months ended June 30,		12 months ended June 30,
	2011 (£'000)	2012 (£'000)	2013 (£'000)	2013 (£'000)	2014 (£'000)	2014 (£'000)
Deferred consideration	999	1,065	—	—	—	—
Increase in other receivables	3,962	1,602	4,675	2,456	3,234	5,453
Amortization of legal acquisition fees on portfolios and financing costs	(57)	(230)	(3,594)	(3,594)	—	—
Increase in trade and other payables	(1,386)	(31)	(1,525)	(3,232)	(2,119)	(412)
Cash from secured loan notes from third party	—	—	(100)	—	(118)	(218)
Working capital adjustments	**3,518**	**2,406**	**(544)**	**(4,370)**	**997**	**4,823**

(b) The ''gain/(loss) on fair values on derivatives'' represents the unrealized portion of the change in fair value of the derivatives (other than interest rate swaps) held by us for the relevant period. The ''fair value losses/(gains) on interest rate swaps'' represent the unrealized portion of the change in fair value of the interest rate swaps held by us for the relevant period.

(c) Amortization of acquisition and bank facility fees that are not considered non-recurring form part of the following items in our consolidated cash flow statements during the periods under review.

	Year ended December 31,			Six months ended June 30,		12 months ended June 30,
	2011 (£'000)	2012 (£'000)	2013 (£'000)	2013 (£'000)	2014 (£'000)	2014 (£'000)
Acquisition costs	60	487	359	232	139	266
Bank arrangement/facility fees and bond fee amortization	127	1,836	557	558	—	(1)
Amortization of acquisition and bank facility fees	**187**	**2,323**	**916**	**790**	**139**	**265**

In the reconciliation of (loss)/profit for the period attributable to equity shareholders to Adjusted EBITDA, and the reconciliation of Core Collections to Adjusted EBITDA, only the acquisition costs component is included in the reconciliation for the six months ended June 30, 2013 because the bank arrangement/facility fees and bond fee amortization component are reflected under finance income and costs.

(d) Interest payable includes cash interest on bank loans and therefore does not include (a) interest on Pre-IPO Shareholder Loans that is payment-in-kind interest and (b) interest payable on the 2020 Notes.

(e) Exceptional/non-recurring 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/ non-recurring items during the periods under review.

	Year ended December 31,			Six months ended June 30,		12 months ended June 30,
	2011 (£'000)	2012 (£'000)	2013 (£'000)	2013 (£'000)	2014 (£'000)	2014 (£'000)
Professional fees and services:						
Project and legal-related expenses	2,085(i)	1,386(ii)	—	—	—	—
Other operating expenses:						
Goodwill impairment(iii)	—	—	2,309	2,309	—	—
Staff costs/IPO-related costs	645(i)	323(ii)	6,112(iv)	1,005(v)	870(vi)	5,977
Settlement provisions(vii)	—	—	—	—	2,560	2,560
Other	141(i)	170(ii)	—	—	—	—
Exceptional/non-recurring items included under professional fees and services and other operating expenses	**2,871**	**1,879**	**8,421**	**3,314**	**3,430**	**8,537**
Exceptional/non-recurring finance income and costs	—	—	3,916(viii)	3,916(viii)	143(ix)	143(ix)
Total exceptional/non-recurring items	**2,871**	**1,879**	**12,337**	**7,230**	**3,573**	**8,680**

(i) Included restructuring costs, fees in relation to the Old Revolving Credit Facility payable to legal advisers, legal and forensic accounting expenses that we incurred in connection with certain non-owned accounts that a Debt Seller sold to us, and payments in connection with the termination of certain employee contracts.

(ii) Included advisory fees in connection with our proposed sale by RBS Special Opportunities Fund, payments in connection with the termination of certain employee contracts and restructuring costs.

(iii) Comprises goodwill impairment recognized in connection with the acquisition of Arrow Global Accounts Management Limited (***AGAML***). The goodwill impairment is not reflected in exceptional items in the reconciliation of net cash flow from operating activities to Adjusted EBITDA because it is a non-cash item.

(iv) Comprises non-recurring restructuring costs in connection with the issuance of the 2020 Notes of £1.0 million and IPO-related staff costs of £5.1 million, with the main cost being £4.4 million of share option charges.

(v) Comprises non-recurring restructuring costs in connection with the issuance of the 2020 Notes. In the reconciliation of (loss)/profit for the period attributable to equity shareholders to Adjusted EBITDA, the exceptional/non-recurring items are split between those costs that were included within operating profit (£3.3 million) and those items that form part of finance costs (£3.9 million) and are, therefore, not included within operating profit. In the reconciliation of Core Collections to Adjusted EBITDA only those exceptional/ non-recurring items included within operating profit (£3.3 million) are reconciling items.

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

(vii) Includes settlement provisions mainly in connection with the resolution of a historical tax issue with HMRC of £2.4 million.

(viii) Consists of accelerated amortization and settlement fees in connection with the termination of our revolving credit facility dated October 4, 2011 (the ***Old Revolving Credit Facility***) and repayment of the Non-Controlling Interest Loans and partial repayment of the Pre-IPO Shareholder Loans. This was recognized as part of finance income and costs in our income statement.

(ix) Comprises interest on the settlement of the historical tax issue discussed in note (vii).

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

	Year ended December 31,			Six months ended June 30,		12 months ended June 30,
	2011 (£'000)	**2012 (£'000)**	**2013 (£'000)**	**2013 (£'000)**	**2014 (£'000)**	**2014 (£'000)**
Total exceptional/non-recurring items . . .	2,871	1,879	12,337	7,230	3,573	8,680
Non-cash adjustments and financing costs	—	—	(6,670)[(A)]	(2,309)[(B)]	(1,013)[(C)]	(5,374)
	2,871	1,879	5,667	4,921	2,560	3,306

(A) Reflects goodwill impairment (see note (iii) above) and share option charges in relation to the IPO (£4.4 million).

(B) See note (iii) above.

(C) Reflects share option charges subsequent to the IPO (£0.9 million) and financing costs (£0.1 million).

(g) Finance income and costs excluding exceptional/non-recurring items consist of interest on the 2020 Notes, interest on the Pre-IPO Shareholder Loans, interest on bank loans, interest on Non-Controlling Interest Loans, the fair value movement on interest rate swaps and the amortization of financing costs, and exclude the effect of the accelerated amortization of financing costs and settlement fees.

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

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

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

(k) As of June 30, 2014, we estimate, on the assumption that portfolios are purchased at our target Gross Cash-on-Cash Multiple, that portfolio purchases of approximately £50 million per year (approximately £70 million per year on a Combined basis) are required to maintain a constant 84-Month Gross ERC and 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).

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

(10) Adjusted EBITDA ratio represents the ratio of Adjusted EBITDA to Core Collections.

Summary Historical Consolidated Financial Data of the Capquest Group

The following tables summarize historical consolidated financial data as of the dates and for the periods indicated, which have been derived from the Capquest Group's consolidated historical financial information as of and for the years ended March 31, 2012, 2013 and 2014 and the related notes, and from the Capquest Group's unaudited interim financial information as of and for the three months ended June 30, 2013 and 2014 and the related notes, in each case included elsewhere in this Offering Memorandum. The Capquest Group's consolidated historical financial information has been prepared in accordance with the basis of preparation set out in the Capquest Group's consolidated historical financial information. The Capquest Group's interim financial information have been prepared in accordance with IAS 34. The summary historical consolidated financial data also include certain financial measures and ratios that are not determined in accordance with IFRS. See ''Presentation of Financial and Other Information.''

In addition, this section includes certain unaudited consolidated financial information for the 12 months ended June 30, 2014. This information was derived by adding the Capquest Group's consolidated historical financial information for the year ended March 31, 2014 to its unaudited consolidated financial information for the three months ended June 30, 2014 and subtracting its unaudited consolidated financial information for the three months ended June 30, 2013. This information has been prepared solely for the purpose of this Offering Memorandum and is not prepared in the ordinary course of the Capquest Group's financial reporting and has not been audited or reviewed. See ''Presentation of Financial and Other Information—LTM Financial Data.''

This financial information should be read in conjunction with the financial statements of the Capquest Group included elsewhere in this Offering Memorandum and with ''Presentation of Financial and Other Information,'' ''Unaudited *Pro Forma* Condensed Combined Financial Information'' and ''Business of the Capquest Group—Financial Profile and Performance.''

Consolidated Statement of Comprehensive Income Data of the Capquest Group

	Year ended March 31,			Three months ended June 30,		12 months ended June 30,
	2012 (£'000)	2013 (£'000)	2014 (£'000)	2013 (£'000)	2014 (£'000)	2014 (£'000)
Revenue						
Income from purchased loan portfolios	24,995	24,680	30,420	6,733	7,257	30,944
Portfolio write-up/(down)[1]	(430)	2,558	8,904	2,684	17	6,237
Portfolio impairment	(2,901)	(510)	(11,654)	(1,516)	(739)	(10,877)
Income from asset management	10,081	7,706	4,799	1,314	1,156	4,641
Total revenue	**31,745**	**34,434**	**32,469**	**9,215**	**7,691**	**30,945**
Operating expenses						
Collection Activity Costs	(13,891)	(13,214)	(17,060)	(3,097)	(3,694)	(17,657)
Professional fees and services	(4,577)	(2,438)	(1,601)	(971)	(748)	(1,378)
Of which non-recurring items[2]	1,656	267	63	—	371	434
Professional fees and services excluding exceptional items[3]	(2,921)	(2,171)	(1,538)	(971)	(377)	(944)
Other operating expenses	(10,713)	(11,565)	(14,391)	(3,549)	(3,276)	(14,118)
Of which non-recurring items[4]	1,207	2,171	931	315	116	732
Other operating expenses excluding non-recurring items[3]	(9,506)	(9,394)	(13,460)	(3,234)	(3,160)	(13,386)
Total operating expenses before non-recurring items[3]	**(26,318)**	**(24,779)**	**(32,058)**	**(7,302)**	**(7,231)**	**(31,987)**
Non-recurring items	(2,863)	(2,438)	(994)	(315)	(487)	(1,166)
Total operating expenses	**(29,181)**	**(27,217)**	**(33,052)**	**(7,617)**	**(7,718)**	**(33,153)**
Operating profit/(loss)	**2,564**	**7,217**	**(583)**	**1,598**	**(27)**	**(2,208)**
Total finance income and costs	(11,316)	(13,915)	(17,023)	(3,198)	(4,868)	(18,693)
Loss before tax	**(8,752)**	**(6,698)**	**(17,606)**	**(1,600)**	**(4,895)**	**(20,901)**
Taxation credit on ordinary activities	1,495	574	59	12	—	47
Loss for the period attributable to equity shareholders	**(7,257)**	**(6,124)**	**(17,547)**	**(1,588)**	**(4,895)**	**(20,854)**

(1) Portfolio write-up represents write-up adjustments (excluding provisions for impairment) arising when the carrying values of the loan portfolios are assessed with reference to the latest 84-Month Gross ERC discounted at the EIR.

(2) See note 8 to the Capquest Group's consolidated financial statements for the years ended March 31, 2012, 2013 and 2014, and note 7 to the Capquest Group's financial statements for the quarters ended June 30, 2013 and 2014, for the components of non-recurring items included under professional fees and services.

(3) The figures herein, while not presented in accordance with IFRS, are derived from the Capquest Group's financial statements that are presented in accordance with IFRS.

(4) See note 7 to the Capquest Group's consolidated financial statements for the years ended March 31, 2012, 2013 and 2014 and for the quarters ended June 30, 2013 and 2014 for the components of non-recurring items included under other operating expenses.

Consolidated Balance Sheet Data of the Capquest Group

	As of March 31,			As of June 30,
	2012 (£'000)	2013 (£'000)	2014 (£'000)	2014 (£'000)
Assets				
Non-current assets				
Intangible assets	25,285	25,348	29,568	30,722
Purchased loan portfolios	50,345	76,887	87,381	83,286
Other non-current assets(1)	756	703	5,419	5,255
Total non-current assets	**76,386**	**102,938**	**122,368**	**119,263**
Current assets				
Cash and cash equivalents	13,788	10,562	16,713	9,814
Purchased loan portfolios	17,306	25,400	28,981	26,894
Other receivables(2)	2,620	2,513	2,481	3,012
Total current assets	**33,714**	**38,475**	**48,175**	**39,720**
Total purchased loan portfolios	*67,651*	*102,287*	*116,362*	*110,180*
Total assets	**110,100**	**141,413**	**170,543**	**158,983**
Equity				
Total equity attributable to shareholders	**(2,252)**	**(8,026)**	**(25,053)**	**(29,948)**
Liabilities				
Non-current liabilities				
Loans	15,696	16,112	17,766	17,607
Unsecured loan notes	57,837	73,168	94,354	94,354
Other non-current liabilities(3)	1,128	1,208	382	206
Total non-current liabilities	**74,661**	**90,488**	**112,502**	**112,167**
Current liabilities				
Trade and other payables	5,841	5,076	12,762	6,941
Loans	27,705	41,752	46,600	42,659
Interest on unsecured loan notes	4,145	12,123	23,732	27,164
Total current liabilities	**37,691**	**58,951**	**83,094**	**76,764**
Total liabilities	**112,352**	**149,439**	**195,596**	**188,931**
Total equity and liabilities	**110,100**	**141,413**	**170,543**	**158,983**

(1) Other non-current assets consist of property, plant and equipment, and derivative asset.

(2) Other receivables consist of trade receivables, prepayments and other debtors, amounts due from parent companies, taxation and social security and current tax asset.

(3) Other non-current liabilities consist of derivative liability and deferred tax liability.

Consolidated Cash Flow Statement Data of the Capquest Group

	Year ended March 31,			Three months ended June 30,		12 months ended June 30,
	2012 (£'000)	2013 (£'000)	2014 (£'000)	2013 (£'000)	2014 (£'000)	2014 (£'000)
Net cash flow from operating activities before purchases of loan portfolios	25,703	29,664	34,915	8,495	2,678	29,098
Purchases of loan portfolios	(24,994)	(57,168)	(40,758)	(25,369)	(2,724)	(18,113)
Net cash used in operating activities	709	(27,504)	(5,843)	(16,874)	(46)	10,985
Net cash used in investing activities	(7,694)	(561)	(9,457)	(1,139)	(1,285)	(9,603)
Net cash flow generated by/(used in) financing activities	13,019	24,839	21,451	16,891	(5,568)	(1,008)
Net (decrease)/increase in cash and cash equivalents	**6,034**	**(3,226)**	**6,151**	**(1,122)**	**(6,899)**	**374**

Other Financial Data of the Capquest Group

	As of and for the					
	Year ended March 31,			Three months ended June 30,		12 months ended June 30,
	2012	2013	2014	2013	2014	2014
84-Month Gross ERC (£m)[(1)(3)]	154.6	200.3	216.8	N/A	190.9	190.9
120-Month Gross ERC (£m)[(2)(3)]	170.8	230.1	247.4	N/A	224.5	224.5
Portfolios acquired during the period (£'000)[(4)]	24,982	57,168	45,558	25,370	2,724	22,912
Number of accounts ('000)[(5)]	2,327	2,507	2,746	2,655	2,761	2,761
Core Collections (£'000)[(6)]	44,211	49,260	59,153	13,968	15,441	60,626
Collection Activity Costs (£'000)[(7)]	13,891	13,214	17,060	3,097	3,694	17,657
Collection Cost Ratio (%)[(8)]	31.4	26.8	28.8	22.2	23.9	29.1
Capquest Adjusted EBITDA (£'000)[(9)]	29,814	32,744	32,618	8,125	9,617	34,110
Capquest Adjusted EBITDA ratio (%)[(10)]	67.4	66.5	55.1	58.2	62.3	56.3

(1) 84-Month Gross ERC means 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.

(2) 120-Month Gross ERC means 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.

(3) Gross ERC figures as of March 31, 2012, 2013 and 2014 represent the Capquest Group's historical Gross ERC, as prepared by the Capquest Group. The Capquest Group's Gross ERC as of June 30, 2014 are, and going forward will be, based on our view of such Gross ERC derived from account-level re-underwriting of the Capquest Group's loan portfolios using our proprietary ERC forecasting model. Based on the Capquest Group's ERC forecasting model, as of June 30, 2014, the Capquest Group's 84-Month Gross ERC would be £207.4 million and its 120-Month Gross ERC would be £236.4 million.

(4) Portfolios acquired during the period represent the purchase price of purchased and acquired loan portfolios, excluding related acquisition expenses.

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

(6) Core Collections are collections on purchased loan portfolios.

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

(8) Collection Cost Ratio is the ratio of Collection Activity Costs to Core Collections.

(9) Capquest Adjusted EBITDA is defined as net cash flow used in operating activities adjusted to exclude the effects of purchases of loan portfolios, purchases of loan notes, proceeds from disposal of loan portfolios, income taxes paid, working capital adjustments, amortization of acquisition and bank facility fees, fair value losses/(gains) on interest rate swaps, interest payable/(receivable) and non-recurring items and including the effects of (loss)/profit on disposal of purchased loan portfolios, gain/(loss) on fair values on derivatives and foreign exchange gains/(losses).

For supplemental purposes, we have also included a reconciliation of the Capquest Group's (loss)/profit for the period attributable to equity shareholders to Capquest Adjusted EBITDA. For purposes of this reconciliation, Capquest Adjusted

EBITDA represents (loss)/profit for the period attributable to equity shareholders adjusted to exclude the effects of finance income and costs (other than non-recurring items), taxation credit/charge on ordinary activities, non-recurring items included under finance income and costs, portfolio write-up, impairment on portfolios, depreciation and amortization, net foreign exchange (gains)/losses, amortization of acquisition and bank facility fees, share-based payments and non-recurring items included under professional fees and services and other operating expenses and adjusted for the effect of portfolio amortization.

Additionally, for supplemental purposes, we have included a reconciliation of the Capquest Group's ''Core Collections'' to Adjusted EBITDA. For purposes of this reconciliation, Capquest 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 and operating expenses, and excluding the effects of depreciation and amortization, net foreign exchange (gains)/losses, amortization of acquisition and bank facility fees, share-based payments and non-recurring items included under professional fees and services and other operating expenses.

The following tables set forth the reconciliations of net cash flow from operating activities, (loss)/profit for the period attributable to equity shareholders and Core Collections, in each case, to Adjusted EBITDA for the periods indicated.

	Year ended March 31,			Three months ended June 30,		12 months ended June 30,
	2012 (£'000)	**2013 (£'000)**	**2014 (£'000)**	**2013 (£'000)**	**2014 (£'000)**	**2014 (£'000)**
Net cash flow used in operating activities	709	(27,504)	(5,843)	(16,874)	(46)	10,985
Purchases of loan portfolios	24,994	57,168	40,758	25,369	2,724	18,113
Income taxes paid	588	(6)	—	5	60	55
Working capital adjustments[a]	680	659	(3,272)	(666)	6,398	3,792
Interest receivable[b]	(20)	(11)	(19)	(24)	(6)	(1)
Non-recurring costs[c]	2,863	2,438	994	315	487	1,166
Capquest Adjusted EBITDA	**29,814**	**32,744**	**32,618**	**8,125**	**9,617**	**34,110**

	Year ended March 31,			Three months ended June 30,		12 months ended June 30,
	2012 (£'000)	**2013 (£'000)**	**2014 (£'000)**	**2013 (£'000)**	**2014 (£'000)**	**2014 (£'000)**
Loss for the period attributable to equity shareholders	(7,257)	(6,124)	(17,547)	(1,588)	(4,895)	(20,854)
Finance income and costs	11,316	13,915	17,023	3,198	4,868	18,693
Taxation charge/(credit) on ordinary activities	(1,495)	(574)	(59)	(12)	—	(47)
Operating profit/(loss)	**2,564**	**7,217**	**(583)**	**1,598**	**(27)**	**(2,208)**
Portfolio amortization	19,216	24,580	28,733	7,235	8,184	29,682
Portfolio (write-up)/down	430	(2,558)	(8,904)	(2,684)	(17)	(6,237)
Impairment of portfolios	2,901	510	11,654	1,516	739	10,877
Depreciation, amortization and impairment of intangible assets	1,840	557	721	145	251	827
Sale of asset	—	—	3	—	—	3
Non-recurring costs included under professional fees and services and other operating expenses[c]	2,863	2,438	994	315	487	1,166
Capquest Adjusted EBITDA	**29,814**	**32,744**	**32,618**	**8,125**	**9,617**	**34,110**

	Year ended March 31,			Three months ended June 30,		12 months ended June 30,
	2012 (£'000)	2013 (£'000)	2014 (£'000)	2013 (£'000)	2014 (£'000)	2014 (£'000)
Income from loan portfolios	24,995	24,680	30,420	6,733	7,257	30,944
Portfolio amortization	19,216	24,580	28,733	7,235	8,184	29,682
Core Collections	**44,211**	**49,260**	**59,153**	**13,968**	**15,441**	**60,626**
Profit on portfolios	—	—	—	—	—	—
Other income	10,081	7,706	4,799	1,314	1,156	4,641
Other expenses	(29,181)	(27,217)	(33,052)	(7,617)	(7,718)	(33,153)
Depreciation, amortization and impairment of intangible assets	1,840	557	721	145	251	827
Loss on sale of asset	—	—	3	—	—	3
Non-recurring costs included under professional fees and services and other operating expenses[(c)]	2,863	2,438	994	315	487	1,166
Capquest Adjusted EBITDA	**29,814**	**32,744**	**32,618**	**8,125**	**9,617**	**34,110**

(a) The following table sets forth the working capital adjustments based on the Capquest Group's consolidated cash flow statements for the periods under review.

	Year ended March 31,			Three months ended June 30,		12 months ended June 30,
	2012 (£'000)	2013 (£'000)	2014 (£'000)	2013 (£'000)	2014 (£'000)	2014 (£'000)
(Increase)/decrease in other receivables	(115)	(100)	(28)	(168)	471	611
Acquisition expenses	1,656	—	—	—	371	371
Increase/(decrease) in trade and other payables	(861)	(1,619)	(4,170)	(813)	5,440	2,083
Increase in tax position	—	—	(5)	—	—	(5)
Restructuring[(i)]	—	1,104	464	94	—	370
Transformation project[(ii)]	—	1,274	467	221	116	362
Working capital adjustments	**680**	**659**	**(3,272)**	**(666)**	**6,398**	**3,792**

(i) Comprises expenses related to the exit of executive and senior managers.

(ii) See note (c) below.

(b) Interest receivable includes cash interest on cash deposits.

(c) Non-recurring costs are those that are separately identified by virtue of their size and incidence to allow a full understanding of the Capquest Group's underlying performance. The following table sets forth the breakdown of non-recurring costs during the periods under review.

	Year ended March 31,			Three months ended June 30,		12 months ended June 30,
	2012 (£'000)	2013 (£'000)	2014 (£'000)	2013 (£'000)	2014 (£'000)	2014 (£'000)
Professional fees and services:						
Acquisition expenses	1,656[(i)]	60[(ii)]	63[(iii)]	—	371[(iv)]	434
Restructuring cost	—	207[(v)]	—	—	—	—
Other operating expenses:						
Restructuring cost	—	897[(vi)]	464[(vii)]	94[(viii)]	—	370
Transformation project[(ix)]	—	1,274	467	221	116	362
Technology impairments	1,207[(x)]	—	—	—	—	—
Total non-recurring items	**2,863**	**2,438**	**994**	**315**	**487**	**1,166**

(i) Comprises expenses incurred in connection with the acquisition of Capquest Group Limited and its subsidiaries by funds managed by TowerBrook Capital Partners, L.P.

(ii) Comprises expenses incurred in connection with the acquisition of the Glasgow office.

(iii) Comprises expenses incurred in connection with the acquisition of a motor finance portfolio.

(iv) Comprises expenses incurred in connection with the Capquest Acquisition.

(v) Comprises expenses incurred in connection with the closure of the South African collections platform and the vendor selection process undertaken in connection with the Capquest Group's new IT platform.

(vi) Comprises expenses related to the exit of executive and senior managers and subsequent executive recruitment fees, and redundancy costs associated with the closure of the South African collections platform.

(vii) Comprises expenses related to the exit of executive and senior managers and dilapidations expenses on the exit from the collections platform in Twickenham.

(viii) Comprises expenses related to the exit of executive and senior managers.

(ix) Comprises expenses related to a project that focused on designing and rolling out ''model office'' processes, rebranding the Capquest Group and addressing legacy issues related to credit balance, suspense account and interest calculations.

(x) Comprises costs related to the write-off of the Capquest Group's internally developed replacement collections systems.

(10) Capquest Adjusted EBITDA ratio represents the ratio of Capquest Adjusted EBITDA to its Core Collections.

Combined Financial Data

The table below presents certain information of the Group and the Capquest Group on a Combined basis. Information described as "Combined," in relation to a financial or operational measure of performance, means the aggregation of the relevant measures for the Group and the Capquest Group for the relevant period, and excludes any accounting or *pro forma* adjustments that may be required to present consolidated or as adjusted information.

	As of and for the year ended December 31[1],			As of and for the 12 months ended June 30, 2014
	2011	2012	2013	
84-Month Gross ERC (£m)				
Group	367.3	464.4	564.3	701.7
Capquest Group[2]	154.6	200.3	216.8	190.9
Combined	521.9	664.7	781.1	892.6
120-Month Gross ERC (£m)				
Group	442.2	551.3	650.3	827.3
Capquest Group[2]	170.8	230.1	247.4	224.5
Combined	613.0	781.4	897.7	1,051.8
Purchases of purchased loan portfolios (£'000)				
Group	109,744	83,978	101,338	132,177
Capquest Group	24,994	57,168	45,558	22,912
Combined	134,738	141,146	146,896	155,089
Number of accounts ('000)				
Group	3,245	3,720	5,109	5,446
Capquest Group	2,327	2,507	2,746	2,761
Combined	5,572	6,227	7,855	8,207
Core Collections/Collections in the period (£'000)				
Group	68,248	88,720	127,840	134,596
Capquest Group	44,211	49,260	59,153	60,626
Combined	112,459	137,980	186,993	195,222
Portfolio amortization, write-up and impairment as % of Core Collections (%)				
Group	29.2	28.4	27.9	29.7
Capquest Group	51.0	45.7	53.2	56.6
Combined	37.8	34.6	35.9	38.1
Total revenue (£'000)				
Group	49,886	65,840	94,697	97,994
Capquest Group	31,745	34,434	32,469	30,945
Combined	81,631	100,274	127,166	128,939
Collection Activity Costs (£'000)				
Group	18,152	19,645	27,994	29,316
Capquest Group	13,891	13,214	17,060	17,657
Combined	32,043	32,859	45,054	46,973
Collection Cost Ratio (%)				
Group	26.6	22.1	21.9	21.8
Capquest Group	31.4	26.8	28.8	29.1
Combined	28.5	23.8	24.1	24.1
Adjusted EBITDA (£'000)				
Group[3]	44,314	61,940	89,580	94,680
Capquest Group[4]	29,814	32,744	32,618	34,110
Combined, pre-anticipated synergies and cost savings[5]	74,128	94,684	122,198	128,790
Adjusted EBITDA ratio[6] (%)				
Group	64.9	69.8	70.1	70.3
Capquest Group	67.4	66.5	55.1	56.3
Combined	65.9	68.6	65.3	66.0

(1) Represents the results of the Capquest Group as of and for the year ended March 31, 2012, 2013 and 2014, respectively.

(2) Gross ERC figures as of March 31, 2012, 2013 and 2014 represent the Capquest Group's historical Gross ERC, as prepared by the Capquest Group. The Capquest Group's Gross ERC as of June 30, 2014 are, and going forward will be, based on our view of such Gross ERC derived from account-level re-underwriting of the Capquest Group's loan portfolios using our proprietary ERC forecasting model. Based on the Capquest Group's ERC forecasting model, as of June 30, 2014, the Capquest Group's 84-Month Gross ERC would be £207.4 million and its 120-Month Gross ERC would be £236.4 million.

(3) See note 10 under ''—Summary Historical Consolidated Financial Data of the Group—Other Financial Data of the Group'' for the reconciliations of net cash flow from operating activities, (loss)/profit for the period attributable to equity shareholders and Core Collections, in each case, to Adjusted EBITDA for the periods indicated.

(4) See note 9 under ''—Summary Historical Consolidated Financial Data of the Capquest Group—Other Financial Data of the Capquest Group'' for the reconciliation of net cash flow used in operating activities, (loss)/profit for the period attributable to equity shareholders and Core Collections to Capquest Adjusted EBITDA for the periods indicated.

(5) We believe that the combination of the Arrow Global Group and the Capquest Group will achieve run-rate synergies and cost savings of £6.5 million on an annual basis commencing 2016. We believe that such synergies and costs savings would be attributable to: (a) overhead cost savings through the removal of duplicated or overlapping activities between us and the Capquest Group as well as reduced data costs; (b) operating cost savings from better management of collection resources and capabilities; and (c) potential ERC uplift from overlap in customer data, through enhancing back book collections on non-Paying Accounts and increasing match rates for UK portfolios. In addition to these cost savings, we expect that the Capquest Acquisition will create the opportunity for further collection benefits from the sharing of best practice between the two businesses. We currently estimate that the realization of these synergies and costs savings will involve the incurrence of non-recurring cash costs of approximately £2.5 million between 2014 and 2016.

Combined Adjusted EBITDA presented above does not reflect these anticipated synergies and cost savings, nor the non-recurring costs that we anticipate to incur to realize these synergies and costs savings. However, the Indenture permits us to give *pro forma* effect to anticipated synergies and cost savings (as calculated in good faith by a responsible financial or chief accounting officer of AGGHL) for purposes of calculating ''Consolidated EBITDA'' under the Indenture.

We cannot assure you that we will be able to realize any of the foregoing synergies or cost savings, and the costs we incur in trying to realize these synergies may be substantially higher than our current estimates and may outweigh the benefits. See ''Risk Factors—Risks Relating to the Capquest Acquisition—We may be unable to integrate the Capquest Group effectively and realize the expected synergies from the Capquest Acquisition.''

(6) Adjusted EBITDA ratio represents the ratio of Combined Adjusted EBITDA, pre-anticipated synergies and cost savings, to Combined Core Collections.

As adjusted financial information

The tables below presents our financial data, as well as certain ratios, in each case as adjusted to give effect to the Capquest Acquisition, the Loan Conversion, the Offering and the use of proceeds therefrom and cash on hand to fund the Capquest Acquisition (including to repay the Capquest Group's indebtedness) and to repay a portion of the amounts drawn under the Arrow Global Revolving Credit Facility, among other things, as if these events had occurred on July 1, 2013 (with respect to consolidated statement of comprehensive income data) or June 30, 2014 (with respect to consolidated balance sheet data). Combined Adjusted EBITDA is presented on a pre-anticipated synergies and cost savings basis and a post-anticipated synergies and cost savings basis. See note 5 under ''—Combined Financial Data'' for a description of the anticipated run-rate synergies and cost savings of £6.5 million on an annual basis commencing 2016. Combined Adjusted EBITDA does not take account of non-recurring cash costs of approximately £2.5 million between 2014 and 2016 for the realization of these synergies and costs savings.

	As of and for the 12 months ended June 30, 2014
As adjusted total debt (£'000)[(1)]	407,811
As adjusted cash and cash equivalents (£'000)[(2)]	5,000
As adjusted net debt (£'000)[(3)]	402,811
As adjusted cash interest expense (£'000)[(4)]	28,641
Ratio of as adjusted net debt to 84-Month Gross ERC[(5)]	45.1%
Ratio of as adjusted net debt to 120-Month Gross ERC[(5)]	38.3%

	As of and for the 12 months ended June 30, 2014	
	Pre-anticipated synergies and cost savings	Post-anticipated synergies and cost savings[(6)]
Ratio of as adjusted net debt to Combined Adjusted EBITDA	3.1x	3.0x
Ratio of Combined Adjusted EBITDA to as adjusted cash interest expense	4.5x	4.7x

(1) As adjusted total debt represents our total debt as adjusted for the Capquest Acquisition, the Loan Conversion, the Offering and the use of the proceeds therefrom and cash on hand to fund the Capquest Acquisition (including to repay the Capquest Group's indebtedness) and to repay a portion of the amounts drawn under the Arrow Global Revolving Credit Facility, among other things, as if such transactions had occurred on June 30, 2014. See also ''Capitalization'' and ''Use of Proceeds.'' The following table sets forth the components of as adjusted total debt.

	As of June 30, 2014 (£'000)
Total debt including 2013 Shareholder Loan[(a)]	288,626
Notes offered hereby[(b)]	180,101
Less: Loan Conversion[(c)]	(41,680)
Less: repayment of a portion of amounts drawn under the Arrow Global Revolving Credit Facility[(d)]	(19,236)
As adjusted total debt[(e)]	407,811

(a) Comprises the principal amount of the 2020 Notes, pre-netting of transaction fees (£220.0 million), amounts drawn under the Arrow Global Revolving Credit Facility (£26.9 million), and the 2013 Shareholder Loan (£41.7 million). Does not include deferred consideration payable in relation to loan portfolio purchases (£12.4 million) or accrued interest under the 2020 Notes (£5.7 million).

(b) Converted to pounds sterling at a rate of €1.2493 to £1.00, the Bloomberg Composite Rate on June 30, 2014. You should not view the translation as a representation that the euro amounts actually represents the converted pound sterling amount, or could be or could have been converted into pounds sterling at the rate indicated or at any other rate. In particular, the exchange rate at which the proceeds of the Offering will be converted into pounds sterling may be materially different. See ''Exchange Rate Information.''

(c) On August 27, 2014, the 2013 Shareholder Loan was converted into Subordinated Shareholder Funding (under the 2020 Indenture, which has the same meaning in the Indenture).

(d) See ''Use of Proceeds.''

(e) Assumes the repayment and termination of the Capquest Group's existing indebtedness (consisting of amounts outstanding under the Capquest Shareholder Loan Notes, the Capquest Management Loan Notes, the Capquest Term and Revolving Credit Facilities (including customary breakage costs), the Lombard Financing Arrangements and the mark-to-market exposure on the Capquest Group's existing hedging arrangements). See ''Use of Proceeds.''

(2) As adjusted cash and cash equivalents represents our cash and cash equivalents as adjusted for the Capquest Acquisition, the Loan Conversion, the Offering and the use of the proceeds therefrom and cash on hand to fund the Capquest Acquisition (including to repay the Capquest Group's indebtedness) and to repay a portion of the amounts drawn under the Arrow Global Revolving Credit Facility, among other things, as if such transactions had occurred on June 30, 2014. The following table sets forth the components of as adjusted cash and cash equivalents.

	As of June 30, 2014 (£'000)
Cash and cash equivalents	17,130
Proceeds from Notes offered hereby[(a)]	180,101
Less: funding of Capquest Acquisition[(b)]	(158,000)
Less: repayment of a portion of amounts drawn under the Arrow Global Revolving Credit Facility[(c)]	(19,236)
Less: estimated fees and expenses related to the Transactions[(d)]	(10,492)
Less: original issue discount[(e)]	(4,503)
As adjusted cash and cash equivalents[(f)]	5,000

(a) Converted to pounds sterling at a rate of €1.2493 to £1.00, the Bloomberg Composite Rate on June 30, 2014. You should not view the translation as a representation that the euro amounts actually represents the converted pound sterling amount, or could be or could have been converted into pounds sterling at the rate indicated or at any other rate. In particular, the exchange rate at which the proceeds of the offering of the Notes will be converted into pounds sterling may be materially different. See ''Exchange Rate Information.''

(b) Includes the repayment of amounts outstanding under the Capquest Shareholder Loan Notes, the Capquest Management Loan Notes, the Capquest Term and Revolving Credit Facilities, the Lombard Financing Arrangements and the mark-to-market exposure on the Capquest Group's hedging arrangements, as well as consideration payable in respect of the shares in Quest Topco Limited. Actual amounts paid for the Capquest Acquisition may vary in accordance with the terms of the Capquest Acquisition Agreement. See ''The Transactions—Capquest Acquisition—Capquest Acquisition Agreement,'' ''—Current Trading—Capquest Group'' and ''Use of Proceeds.''

(c) See ''Use of Proceeds.''

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

(e) Represents 2.5% of the aggregate principal amount of the Notes, converted to pounds sterling at the rate of €1.2493 per £1.00, the Bloomberg Composite Rate on June 30, 2014.

(f) Does not reflect payment of accrued interest on the 2020 Notes on September 1, 2014. As of October 28, 2014, our cash and cash equivalents had decreased by £7.3 million compared to June 30, 2014 due to portfolio purchases and the payment of accrued interest on the 2020 Notes. See ''—Current Trading—Group.''

(3) As adjusted net debt represents as adjusted total debt less as adjusted cash and cash equivalents.

(4) As adjusted cash interest expense represents our finance costs as adjusted for the Capquest Acquisition, the Loan Conversion, the Offering (with the interest rate based on the margin over three-month EURIBOR) and the use of proceeds therefrom and cash on hand to fund the Capquest Acquisition (including to repay the Capquest Group's indebtedness) and to repay a portion of the amounts drawn under the Arrow Global Revolving Credit Facility, among other things, as if such transactions had occurred on July 1, 2013.

(5) Represents as adjusted net debt as a percentage of Combined 84-Month Gross ERC and Combined 120-Month Gross ERC, respectively.

(6) The following table sets forth the calculation of Combined Adjusted EBITDA, post-anticipated synergies and cost savings.

	As of and for the 12 months ended June 30, 2014
Combined Adjusted EBITDA pre-anticipated synergies and cost savings	128.8
Anticipated annual synergies and cost savings[(a)]	6.5
Combined Adjusted EBITDA post-anticipated synergies and cost savings	135.3

(a) See note (5) under ''—Combined Financial Data.''

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

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 in substantial losses.

General. Our business is subject to licensing and regulation by governmental and regulatory bodies in the UK and Portugal. See ''Regulation and Compliance.'' At present, our activities in the UK are principally regulated by the FCA (which assumed responsibility for the regulation of consumer credit activities from the OFT on April 1, 2014), the ICO and OFCOM. See ''—Changes to the regulatory environment in the UK or Portugal or an increasing volume of legislation may materially and adversely affect the debt purchase and collection industry and impede our business'' for details of recent changes to the consumer credit regulatory regime and associated risks. 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. It is anticipated that the FCA's approach to regulation will prove to be stricter and more proactive than the OFT's approach under the previous regime. The FCA has already begun work reviewing various areas of the market, focusing primarily on the ''pay-day lending'' sector, and has set out a list of other proposed key activities it expects to undertake in the consumer credit market over the coming year in its Business Plan for 2014/15. See ''Regulation and Compliance—Regulatory Framework—United Kingdom—Conduct of Business Requirements.'' In addition, the FCA has greater enforcement powers than the OFT, and a wider disciplinary toolkit. According to its website, the FCA has already taken action against a high profile ''pay-day lender'' and a number of debt management firms.

In Portugal, while our activities purchasing 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 the local law on personal data (Law 67/98), directly implementing an EU Directive (1995/46/EC) and must obtain approval from the local Comissão Nacional de Protecção de Dados (***CNPD***), the local data protection authority, on the purchase and processing of personal data.

Requirements applicable to Group and Capquest Group companies. Our business is conducted through a number of Group companies (the ***CC Companies***), each of which has registered with the FCA for interim permissions, to allow these companies to continue to purchase and administer debt portfolios during the interim permission regime, pending full FCA authorization. See ''Regulation and Compliance—Regulatory Framework—United Kingdom.'' The CC Companies are required to apply for full authorization between July 1, 2015 and September 30, 2015. In addition, the Capquest Group operating companies that conduct consumer credit-related regulated activities (the ***Capquest CC Companies***) have each registered with the FCA for interim permissions or, in the case of the Capquest Group company that holds regulatory permissions allowing it to service regulated mortgages and that has already received FCA authorization, interim variation of permissions. The Capquest CC Companies have been allocated different application windows, the earliest of which falls between March 1, 2015 and May 31, 2015, and the latest of which falls between July 1, 2015 and September 30, 2015. There is a possibility that, if as a result of the proposed Capquest Acquisition, we wish to align the application process for the CC Companies and the Capquest CC Companies, the timeline for full FCA authorization of the CC Companies could be accelerated, to correspond with the earlier application window allocated to certain of the Capquest CC Companies, which would require us to prepare our final application materials ahead of our anticipated schedule. We are currently considering aligning the CC Companies' and Capquest CC Companies' FCA authorization application windows, and only intend to request such alignment from the FCA should all entities be ready to apply for full authorization.

Prior to granting full authorization for a firm to carry on regulated consumer credit activities, the FCA is required by the Financial Services Markets Act 2000 (***FSMA***) (as amended) 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''). Failure to meet the ''threshold conditions'' initially may result in the FCA refusing to grant full authorization, and failure to meet such standards in the future after full authorization has been granted, ultimately 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.

If Arrow Global Limited's (and, following the completion of the Capquest Acquisition, Capquest Investments Limited's and Capquest Debt Recovery Limited's) authorization is varied, suspended or withdrawn, or if Arrow Global Limited (and, following the completion of the Capquest Acquisition, Capquest Investments Limited and Capquest Debt Recovery Limited) is unable to obtain full FCA authorization at the appropriate time, our business would be severely constrained and could not continue to be operated in the way it is currently being operated. Similar issues would arise if any of the other CC Companies or Capquest CC Companies were to have their authorization varied, suspended or withdrawn or were unable to obtain full FCA authorization. In addition, any variation, suspension or withdrawal of the authorization of one of the CC Companies or Capquest CC Companies, or certain other disciplinary action taken by the FCA against one of the CC Companies or Capquest CC Companies, may be publicly known and may result in severe reputational damage. If any of the CC Companies or Capquest 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 or Capquest 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 to certain high level standards, the CC Companies and Capquest 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 ***UTCCR***) and the FCA's Handbook of rules and guidance (the ***FCA Handbook***), including the Consumer Credit sourcebook (***CONC***). Further, the CC Companies and Capquest CC Companies may be 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***).

During the interim permission regime, the CC Companies and Capquest CC Companies are subject to certain FCA rules and requirements, including the Principles for Businesses (to which they will continue to be subject once they have obtained full FCA authorization). See ''Regulation and Compliance—Regulatory Framework—United Kingdom.'' We do not currently subscribe to the Lending Code issued by the UK Lending Standards Board (the ***LSB***), although following the widening of the scope of the regime to allow for debt collection and debt purchase companies to become associate subscribers, we have applied to become associate subscribers and expect an on-site review by the LSB in December 2014, with an outcome determination to follow in the first quarter of 2015. 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 and certain provisions of the LSB's Lending Code, including, for example, being subject to audits by Debt Sellers. In the 12 months ended

June 30, 2014, we were subject to seven audits and four 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. 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. Two such reviews of our control framework by Debt Sellers in the 12 months ended June 30, 2014, have in the past identified areas for improvement. While 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 one of the CC Companies or Capquest 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 and the Capquest 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' or Capquest 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 UK or Portugal or an increasing volume of legislation may materially and adversely affect the debt purchase and collection industry and impede our business''). 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, Capquest 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 or Capquest 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.

Requirements applicable to DCAs. We currently allocate, and subsequent to the Capquest Acquisition will continue to allocate a significant portion of, our accounts to third party DCAs and servicers in both the UK and Portugal. 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 and Capquest 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. 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 Group.

Other jurisdictions. Moreover, as we expand into jurisdictions other than the UK and Portugal, 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.

Voluntary practices. Further, 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 LSB's Lending Code 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.

Any of these developments could have a material adverse effect on our ability to conduct business and on our financial condition, financial returns or results of operations.

Changes to the regulatory environment in the UK or Portugal or an increasing volume of legislation may materially and adversely affect the debt purchase and collection industry and impede our business.

The volume of legislation that is applicable to consumer credit in the UK has been increasing over the last few years, and this trend may continue. 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.

FCA regime. The regulatory framework for the consumer credit regime in the UK changed as a result of the transfer of the consumer credit regime from the OFT to the FCA on April 1, 2014. Consumer credit activities are now regulated in a similar manner to other financial services in the UK. As a result of the amendments to the regulatory framework, there have been consequential changes to the legislation and other regulatory requirements that affect our business.

Beginning April 1, 2014, the FCA's high level standards, including its Principles for Businesses and high level rules relating to organizational requirements, apply to all consumer credit firms, including those holding interim permissions. The FCA also implemented new conduct of business rules relating to consumer credit activities (which largely consolidate various repealed provisions of the CCA and OFT guidance), which are contained in CONC. As a result of these changes, the regulatory requirements applicable to the debt purchase and collection industry have increased. While much of the FCA's rules and guidance in CONC are modeled upon repealed provisions of the CCA and OFT guidance, consumer credit firms need to scrutinize the new rules carefully when assessing compliance, as the transposition may have changed the emphasis or legal status of a provision.

Under the new regime, the FCA has substantially greater supervisory and enforcement powers than the OFT had (for example, it can issue greater fines, ban activities or products being sold and issue public notices or instigate investigatory action). Once the interim permission transitional period comes to an end and the full regime comes into effect, the CC Companies (and the Capquest CC Companies) will become subject to further regulatory obligations resulting from the change of regime (including more onerous minimum organizational requirements applicable to obtaining and maintaining FCA authorization). See ''Regulation and Compliance—Regulatory Framework—United Kingdom—FCA Authorization.'' We may 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.

Our risk management and compliance framework has required additional investment and resources to satisfy applicable FCA requirements. In particular, considerable investment has gone into strengthening our first and second lines of defense, and a third line of defense has been created through the appointment of BDO, a professional services firm, as provider of our Internal Audit function. The CC Companies, and Arrow Global Limited in particular, have undertaken a program of work to prepare for the new consumer credit regime and continue to work on preparing to ensure they are ready to apply for full authorization between July 1, 2015 and September 30, 2015, and to transition into the full authorization regime. We have also enhanced our supplier oversight model to ensure that servicers (including DCAs) are able to adhere to the new regulation introduced by the FCA, both initially and on an ongoing basis. 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. 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. Despite these initiatives, the CC Companies may find themselves insufficiently prepared for, or may be unable to, transition into the full authorization regime. See ''Regulation and Compliance—Regulatory Framework—United Kingdom.''

Other regulatory obligations. In addition to the CCA, FSMA, the UTCCR 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 1, 2014 (and any regulatory work carried out by the FCA in future). In particular, the LSB has recently been focusing on customers in financial difficulties and vulnerable customers. Given the regulatory focus on ensuring fair treatment of customers throughout the credit cycle, and the LSB's continuing focus both on these areas and on debt sales, it is also possible that further regulatory or voluntary industry guidance or rules may be introduced to enhance the conduct standards in these areas. This would be likely to result in an additional compliance burden for industry participants and may therefore 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 (see ''Regulation and Compliance—Regulatory Framework—United Kingdom—Lending Standards Board's Lending Code'').

FCA agenda. The FCA has set out a list of its proposed key activities in the consumer credit market over the coming year in its Business Plan for 2014/15, including tackling risks in the ''pay-day lending'' sector, improving the quality of debt management services and, of most relevance to our business, assessing competition in the credit card market (see ''Regulation and Compliance—Regulatory Framework—United Kingdom—Conduct of Business Requirements''). There is a risk that this anticipated 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. In 2009, the UK Government commenced a consultation on proposals to shorten the current statute of limitations period for certain types of claims in England, Wales and Northern Ireland from six years to three years. The statute of limitations dictates the amount of time that a business has to commence legal proceedings to enforce payment obligations. While the proposals regarding the current statute of limitations period in England, Wales and Northern Ireland were not pursued at that time, and while there is no current proposal to shorten the statutory limitation period in either the UK or Portugal, such a reduction 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 or other jurisdictions in which we may expand our business.

Changes to commission structures. We currently outsource our collections to our DCA partners 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 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 recently 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.

Indirect effects. In addition, any changes in the rules and regulations of courts in the UK and Portugal, 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. As noted above, 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. In the UK, the FCA is undertaking a range of work in the ''pay-day lending'' sector and also plans to look into the credit card market in the near future. 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 the UK or Portugal 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 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.

Proposed EU Regulation. On January 25, 2012, the European Commission published its draft EU Data Protection Regulation. The draft regulation proposes substantial changes to the EU data protection regime, involving replacement of the current UK and Portuguese data protection laws by a directly applicable EU regulation. If this draft regulation became law, it would impose a substantially higher compliance burden on the industry and impair 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 the use of personal data based on profiles created about individuals, imposing disclosure requirements of 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 2% of annual worldwide turnover, among other requirements. If the proposed EU regulation is passed in this form, we, along with other market participants, including DCAs, Debt Originators and debt purchasers, may experience a significant increase in the number of subject access requests as a consequence of a proposal to withdraw request fees. The proposed EU regulation continues to progress through the legislative process and is likely to be modified prior to its adoption. In March 2014, the European Parliament voted on and approved a number of amendments to the European Commission's draft, including an increase in the maximum fine to 5% of annual worldwide turnover. Meanwhile, the members of the Council of the EU are still trying to reach consensus on their proposed amendments to the draft regulation proposed by the European Commission. Once the Council has agreed its position on the draft regulation, it will enter into negotiations with the European Parliament and the European Commission (a process known as ''trilogue'') to come to an agreed text. There appear to be a number of divergences between the views of the various EU institutions involved in this legislative process. As such, it is not currently possible to assess the full impact of the reform on our business, financial condition and results of operations. It is unlikely that the final form of the EU Data Protection Regulation will be adopted before 2015. This means that the earliest the EU Data Protection Regulation would be directly applicable in Member States is 2017. Moreover, the foregoing, and the applicability of EU regulation to our UK operations more generally, could be impacted were the UK to withdraw from the EU following a possible referendum on EU membership.

Changes in the economic 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 June 30, 2014, the UK accounted for 79.7% (June 30, 2013: 92.5%) of our purchased loan portfolios (based on purchase price) and 72.5% (June 30, 2013: 88.4%) of our 120-Month Gross ERC, with Portugal accounting for the remaining portions. We are, therefore, exposed to the economic, market, fiscal, regulatory, legislative, political and social conditions in the UK and Portugal. As of June 30, 2014, financial services loan portfolios accounted for 85% 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 gross domestic product now above the pre-crisis peak and employment at a six-year low. Portugal is now 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. In May 2014, Portugal ''exited'' the €78 billion financial rescue package extended to it in 2011 by the EU and the International Monetary Fund for the purpose of stabilizing its public finances. It did so without taking a precautionary credit line.

Continued improvement in economic conditions in the UK and Portugal could have various impacts on our business and performance, including an increase in the amount of settlements 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.

Equally, the sustained effects of prolonged economic weakness in the UK and Portugal could have various impacts on our business and performance, primarily and as a result of the continuing effects 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 the economic weakness 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 and Portugal, 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. Our Gross ERC may decrease if customers are unable to obtain credit to consolidate their debts and refinance their obligations with us. As a result, 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.

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 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 or the timing of receipt of payments may lengthen, any of which would impair our financial condition and results of operations.

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 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 90.6% of our total assets (and our Combined purchased loan portfolios would have comprised 84.4% of our Combined total assets) as of June 30, 2014, and any condition or event 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. 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. 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 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 ERC. At the time of purchase, however, 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. 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 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. 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 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.

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 ERC. We also rely on the data obtained from the Proprietary Collection Bureau (the ***PCB***), one of the UK's first debt collection focused credit bureau (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 continued 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 ERC, effective interest rate (***EIR***) and certain other key performance indicators over 84 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. Following the Capquest Acquisition, these risks may be exacerbated to the extent our statistical models and analytical tools fail to accurately forecast the key performance indicators of the Capquest Group.

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

For example, in 2009, the UK market for defaulted consumer debt sales decreased significantly to approximately £4.5 billion 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. 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.

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 Indenture and the 2020 Indenture also 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. 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 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 presence 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 recently become active in the UK debt purchase market and compete for the acquisition of debt portfolios in the UK.

Although, following the Capquest Acquisition, we will have a debt collections business, we will continue to predominantly 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 bureau. 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. 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 we recently 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—Proprietary Collections Bureau (PCB).''

If any third party sources were to stop providing this data for any reason, including a change in laws or regulations, or if they were to considerably raise the price of their services, our business could be materially and adversely affected. In addition, were any of the proprietary information or data that we use to become public, including as a result of a change in governmental regulation, or if 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 if 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, we could lose a significant competitive advantage and our business could be negatively affected. 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. In 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 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.

Failure to maintain key relationships necessary to conduct our business could have a material adverse effect on our business, prospects, financial condition and results of operations.

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 60% of our Core Collections in the six months ended June 30, 2014. 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 all of our collections and 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 the

Capquest Acquisition, acquisition by one of our competitors or the financial failure of a DCA. For example, our top DCA in 2012 (which accounted for 17.6% of our Core Collections in 2012) was purchased by one of our competitors in 2013. 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. The Capquest Acquisition may also impact our ability to acquire in-situ debt portfolios owing to our gaining in-house collection platform for the first time. 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. In addition, the Capquest Group relies on a limited number of third party IT providers, the most significant of which supports its new data management system. The terms of the Capquest Group's software maintenance and licensing agreements permit counterparties to terminate their agreements following certain changes of control of the Capquest Group. See ''—Our and the Capquest Group's 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 Capquest 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 includes the outsourcing of debt collections in the UK to a core panel of nine DCAs and to three DCAs in Portugal with whom we have strategic relationships, as well as up to two 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 60% of our Core Collections in the six months ended June 30, 2014. We also outsource a portion of accounts in our debt portfolios to six 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.

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'' has been removed, which means 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) are no longer able to do so. As a result, from April 1, 2014, law firms that carry on regulated consumer credit activities must hold the relevant interim permissions, 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 ''—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 in substantial losses.''

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 ''—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 in substantial losses'' above 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 £827.3 million as of June 30, 2014 from £442.2 million as of December 31, 2011 (and, giving effect to the Capquest Acquisition, our Combined 120-Month Gross ERC would have been £1,051.8 million as of June 30, 2014).

This growth in our business, and the integration of the Capquest Group following the Capquest Acquisition including, among other things, aligning the analytical models and systems of the Capquest Group with our own, could place a strain on our resources. See ''—Risks Relating to the Capquest Acquisition—We may be unable to integrate the Capquest Group effectively and realize the expected synergies from the Capquest Acquisition'' and ''—Risks Relating to the Capquest Acquisition—We may experience difficulties and higher costs or unanticipated financial liabilities or losses when we integrate the Capquest Group into our operations.''

Any future growth of our business may also strain our 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. For example, our significantly expanded operations in Portugal necessitate a more robust risk monitoring and internal compliance function, particularly with respect to external DCAs, than we currently employ. 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.

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

Our and the Capquest Group's 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 and the Capquest Group use for pricing and collection activities. We and the Capquest Group 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 and the Capquest Group have various means of disaster recovery protection, the insolvency, liquidation or entering into administration of our cloud-based IT provider, Daisy Group PLC, or the developer of the Capquest Group's new data management system, Interactive Intelligence, 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 or the Capquest Group's 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 and the Capquest Group's operations and materially and adversely affect our businesses. Any temporary or permanent loss of our or the Capquest Group's 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 and the Capquest Group's businesses 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.

In addition, to the extent any of our or the Capquest Group's systems, technologies or programs do not function properly, including in particular our analytics software, and suitable IT and software providers cannot be found and retained to help remedy the fault, our and the Capquest Group's business may experience material disruptions that require substantial additional investments to remedy, or which may not be capable of remedy at all. Our and the Capquest Group's full 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 would materially adversely affect our or the Capquest Group's application process with, and the granting of full authorization from, the FCA. Furthermore, the loss of any data, whether as a result of data corruption, hacking, natural disaster or for any other reason, could have a material adverse effect on our respective businesses and results of operations.

The Capquest Group has not yet fully implemented its new technology platform and may encounter technical or operational difficulties that delay the completion of the project. Once implemented, the new IT systems may not perform as expected and may not yield the benefits expected by Capquest Group's management. There may also be a period of time during which it is not possible to fully utilize the benefits of the platform while employees familiarize themselves with the new platform, or due to unexpected problems. These factors could negatively impact our ability to service accounts and may affect customer service, which could materially adversely affect our business and results of operations. Remedying problems that arise before or after implementation of the new platform could also require further substantial expenditure, time and other resources, which could materially adversely affect our financial performance and results of operations.

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 and the Capquest Group 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 or the Capquest Group's data analytics systems and platforms may be limited.

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.

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. 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 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, 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 is expected to start from April 2016, and will be provided on a ''digital-by-default'' basis. An increased ease of access to bankruptcy procedure, without the need to go before a judge, could encourage more customers to take this route, which would have a corresponding reduction in our ability to collect affected debts.

Further, on August 6, 2014, the Insolvency Service issued a call for evidence on the possibility of raising the maximum debt amount limit and the maximum asset amount limit for applying for a debt relief order. Debt relief orders can be obtained through an administrative process, and allow people with low levels of debt and no ability to pay off those debts, and without the means to enter bankruptcy, to obtain relief. If an increase is made to these limits, more debtors will have access to debt relief orders, which may increase the number of debts which we cannot collect.

If actual collections with respect to debt portfolios are significantly lower than our own projections when we purchased such portfolios, then 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 through the year. Accordingly, there may be times when a number of portfolios, or particularly large portfolios, are available for purchase at similar times 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.''

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 us 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. These websites are increasingly providing consumers with legal forms and other strategies to protest 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 us 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 consumer awareness increases, there may be an increase in the level of complaints.

Following the Capquest Acquisition, the potential for negative publicity may be exacerbated as a result of Capquest Group's in-house collections and increased litigation operations.

Any such negative publicity could jeopardize our or the Capquest Group's existing relationships with Debt Sellers or our or the Capquest Group's ability to establish new relationships with other Debt Sellers or diminish our and the Capquest Group's attractiveness as counterparties generally. Additionally, we and the Capquest Group are, and may in future (including as a result of the Capquest Acquisition) be, contractually required to reassign debt portfolios if a debt portfolio attracts negative media attention towards a Debt Seller. 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 Tom Drury (Chief Executive Officer), Robert Memmott (Chief Financial Officer), and Zachary Lewy (Founder and Executive Director) or any of the other key employees, could disrupt our operations. Furthermore, in connection with and following the Capquest Acquisition, the loss of services of key members of the Capquest Group management team may severely undermine our integration efforts, impair our ability to realize the anticipated synergies from the Capquest Acquisition and affect our ability to operate the combined business.

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 will be required to obtain FCA approval to carry on specified functions within the CC Companies (including, for example, the roles of Chief Executive Officer, and executive and non-executive director) in conjunction with our full authorization application process (see ''Regulation and Compliance—Regulatory Framework—United Kingdom—Approved Persons Regime''). 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.

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, and following the Capquest Acquisition a larger portion of our collections may be, achieved through litigation. Accordingly, a portion of our future collections (and following the Capquest Acquisition a larger portion of our 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 in response to a court's request, that account would 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, the Ministry of Justice is currently consulting on a new Pre-Action Protocol for Debt Claims, with a view to implementation in April 2015. 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. 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. While we and other industry bodies intend to respond to the consultation, 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 institution 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). 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.

A minor technical breach of some of these requirements that may not be discovered during the due diligence process undertaken in relation to a debt purchase transaction 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. With respect to the Capquest Acquisition, we may not have any contractual protection in relation to liabilities, or operating or other problems in relation to the loan portfolios of the Capquest Group, which we may discover after completion of the Capquest Acquisition. In addition, as described below, there are significant limitations on our ability to recover in respect of any potential claims under the warranties given in conjunction with the Capquest Acquisition. 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 purchases 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.

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 tax laws or the interpretation of UK 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 our industry 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 fuelled 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. 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 2013 gave rise to an extensive remediation exercise by the lender, including substantial compensation payable to borrowers. Press reports indicate that the OFT subsequently wrote to 50 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 compensation payments to borrowers.

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 are currently engaged in two proceedings initiated against us by a Portuguese DCA in relation to our operations in Portugal, which, if successful, would have a material adverse effect on our Portuguese operations. See ''Business—Litigation.'' Based on our analysis of these proceedings and the related circumstances, we have not set aside reserves in relation to these proceedings.

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 proposed Capquest Acquisition. 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 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 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. The process of integrating businesses 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:

- unforeseen 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.

In addition, we may choose to enter into joint ventures, business alliances, 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. Moreover, to the extent we later acquire the total interests in the assets of these joint ventures, business alliances, consortiums to acquire assets or other types of investments, we may be required to pay deferred consideration. For example, we recently entered into a consortium agreement with Cerberus, in which we acquired their entire interest in portfolio assets originally acquired jointly from a Debt Seller. As part of that acquisition, we agreed to pay a deferred payment of 50% of the total consideration a year after completion of the acquisition. 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.'' Joint ventures, business alliances, consortiums to acquire assets or other types of investments generally involve a lesser degree of control over business operations, which have in the past presented, and may in the future present, greater financial, legal, operational and/or compliance risks.

In addition, see ''—Risks Relating to the Capquest Acquisition'' for specific risks in relation to the Capquest 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 addition, subsequent to the Capquest Acquisition, we may need to initiate similar lawsuits with respect to the Capquest Group's intellectual property, including its trade names to which we will acquire rights. 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 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. The foregoing risks are exacerbated as a result of the judgments we have applied in re-underwriting the Capquest Group's purchased loan portfolios. See ''Risks Relating to the Capquest Acquisition—A significant proportion of the consideration to be paid for the Capquest Acquisition has been allocated to its portfolios based on our own ERC forecasts, which may prove to be inaccurate.''

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.

Although we have largely moved away from 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) and currently have only three such agreements, our exposure to Forward Flow Agreements will increase following the Capquest Acquisition as a result of its two Forward Flow Agreements, which, in the 12 months ended June 30, 2014 accounted for debt purchases by the Capquest Group of £9.9 million. The Capquest Group has recently extended a Forward Flow Agreement with an established client to 2016, securing further committed spend for FY 2015 and FY 2016. A further Forward Flow Agreement was entered into in December 2013 for a two-year period.

From time to time we and the Capquest Group may enter into additional Forward Flow Agreements. In the 12 months ended June 30, 2014, 3% (and on a Combined basis, 9%) of the debt we purchased 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 Portugal and other Eurozone countries. Collections received on any euro-denominated accounts are generally reported in euro 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 pounds 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 during the six months ended June 30, 2014, fluctuations between the euro and the pound sterling would have had a more significant impact on our equity, net assets and net profit as of and for the six months ended June 30, 2014 compared to prior periods. 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 pounds 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 the Capquest Acquisition

The Capquest Acquisition is subject to conditions, and in the event it is not consummated, the Notes will be redeemed.

The consummation of the Capquest Acquisition pursuant to the Capquest Acquisition Agreement is subject to certain conditions, which are beyond our control, including approval by AGG's shareholders. See ''The Transactions—Capquest Acquisition.'' The gross proceeds from the Offering (and other amounts that collectively constitute Escrowed Property, including eligible investments identified in the Escrow Agreement) will be held in the Escrow Account pending the satisfaction of these conditions. In order to release funds from the Escrow Account, we are required to deliver an officer's certificate to the Escrow Agent certifying certain items, including that the Capquest Acquisition will be consummated substantially concurrently with such release. If the Capquest Acquisition is not consummated for any reason prior to the Escrow Longstop Date, the Notes will be subject to a special mandatory redemption as described in ''Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption'' and holders of Notes may not obtain the return they expect to receive on the Notes. The Issuer may also undertake a special mandatory redemption at any time if, in its reasonable judgment, the Capquest Acquisition will not be consummated prior to the Escrow Longstop Date.

The Capquest Acquisition is expected to be consummated in accordance with the terms of the Capquest Acquisition Agreement. However, the Capquest Acquisition Agreement may be amended and the closing conditions may be waived at any time by the parties thereto, without the consent of holders of the Notes. Furthermore, any amendment made to the Capquest Acquisition Agreement may make the Capquest Acquisition less attractive. Any amendment made to the Capquest Acquisition Agreement may be materially adverse to holders of the Notes, which, in turn, may have an adverse effect on the return you expect to receive on the Notes.

The Capquest Group may have liabilities that are not known to us which could subject us to liabilities.

As part of the Capquest Acquisition, we will acquire the Quest Topco Limited and assume all of its assets and liabilities. Additional information about the Capquest Group that adversely affects us, such as unknown or contingent liabilities and issues relating to compliance with applicable laws, could increase our costs.

Uncertainties about the effects of the Capquest Acquisition could adversely affect Arrow Global, the Capquest Group and/or the combined group.

Uncertainty about the effects of the Capquest Acquisition, including effects on employees, business partners, contractors and customers may adversely affect our business and operations and/or that of the Capquest Group up to completion. These uncertainties could cause customers, business partners and other parties that have business relationships with us and/or the Capquest Group to defer the completion of transactions or decisions concerning our or the Capquest group's business or to seek to change existing business relationships with us and/or the Capquest Group.

Uncertainty about the long term effects of the Capquest Acquisition may also adversely affect the business and operations of the combined group in a similar manner in the period following completion of the Capquest Acquisition.

We do not currently control the Capquest Group and will not control the Capquest Group until completion of the Capquest Acquisition.

The Capquest Group is currently controlled by funds managed by TowerBrook Capital Partners, L.P. (***TowerBrook***). We will not obtain control until completion of the Capquest Acquisition. We cannot assure you that during the interim period the business of the Capquest Group will be operated the same way that we would during the interim period.

In addition, prior to the Capquest Acquisition Completion Date, the entities in the Capquest Group will not be subject to the covenants included in the Indenture. As such, we cannot assure you that, prior to such date, Quest Topco Limited or any of its subsidiaries will not take an action that would otherwise have been prohibited by the Indenture had those covenants been applicable.

We have limited recourse under the warranties in the Capquest Acquisition Agreement and warranty deed.

Under the terms of the Capquest Acquisition Agreement, each of the sellers has provided warranties as to: (i) title to the shares it is selling pursuant to the Capquest Acquisition; and (ii) that seller's capacity and authority to enter into the Capquest Acquisition Agreement. Our ability to recover amounts in respect of losses that we may suffer as a result of a breach of those warranties will depend on the sufficiency of each seller's resources and these may not provide full protection to us.

Warranties in relation to the Capquest Group's business have been provided by the warrantors only under the warranty deed. In addition, there are significant limitations on the maximum value of claims that may be made under the warranty deed and, therefore, we may not have recourse against the warrantors, or may not recover in full from the warrantors, for losses that we may suffer in respect of a breach of those warranties.

We may not have contractual protection in relation to liabilities, or operating or other problems, of the Capquest Group that we may discover after completion of the Capquest Acquisition. In addition, as described above, there are significant limitations on our ability to recover in respect of any potential claims described above under the warranty deed. This could lead to adverse accounting and financial consequences, such as the need to make large provisions against the acquired assets or to write down acquired assets. If the affairs of the Capquest Group subsequently reveal themselves to be less favorable than appeared during our due diligence enquiries in connection with the Capquest Acquisition, we may not have recourse against the sellers, which could materially and adversely affect our results of operations and financial condition.

Events may occur which have an adverse effect on Capquest but do not entitle us to terminate the Capquest Acquisition.

Our ability to terminate the Capquest Acquisition Agreement in the event that the business of the Capquest Group is conducted in a manner detrimental to us is limited. We are entitled to terminate the Capquest Acquisition Agreement only if there is a breach during the period between signing and completion of certain of the pre-completion covenants in respect of the Capquest Group's business. If other events occur that have an adverse effect on the Capquest Group's business during the period between signing and completion, we would be required to proceed with completion, and this could have a material adverse effect on our business.

We may experience difficulties and higher costs or unanticipated financial liabilities or losses when we integrate the Capquest Group into our operations.

The potential integration of the business of the Capquest Group into our operations poses significant management, administrative and financial challenges. These include:

- integration of the acquired business in a cost-effective manner, including management information and financial control systems, marketing and customer service;
- combining the two companies' analytical models;
- legal, accounting, transaction fees and other costs relating to the Capquest Acquisition;
- outstanding or unforeseen legal, regulatory, contractual or other issues arising from the Capquest Acquisition;
- additional capital expenditure requirements;
- retention of customers;
- integration of different company and management cultures; and
- retention, hiring and training of key personnel.

Some of these costs may be payable whether or not the Capquest Acquisition completes. If we cannot successfully integrate the Capquest Group on a timely and efficient basis, we may incur higher than expected costs and not realize all the anticipated benefits of the Capquest Acquisition. Moreover, we might fail to discover liabilities, or operating or other problems, prior to completing the Capquest Acquisition and we may not be able to get full indemnification due to the limitations provided for in the Capquest Acquisition Agreement. This could lead to adverse accounting and financial consequences, such as the need to make large provisions against the acquired assets or to write down acquired assets. These difficulties could have a material adverse impact on our business, financial condition and results of operations.

The Capquest Acquisition may not be as financially or operationally successful as originally contemplated, and the Capquest Group is also subject to many of the same business, regulatory and other risks that we currently face.

When deciding to acquire the Capquest Group, we made certain business assumptions and determinations based on our investigation of the business to be acquired, as well as other information then available (without independent verification). However, these assumptions and determinations involve risks and uncertainties that may cause these assumptions and determinations to be inaccurate. As a result, we may not realize the full benefits that we expect from the Capquest Acquisition. Although there are many similarities between the business of the Capquest Group and our business, there are also significant differences (for example, while we outsource collection operations, the Capquest Group has its own in-house collection operations). We may not have correctly anticipated the effect that such differences will have on the acquired business and its integration into ours.

For example, our assumptions as to future revenue generation in connection with the business of the Capquest Group may prove to be incorrect. In such case, the financial success of the Capquest Acquisition may be materially adversely affected.

In addition, some of the Capquest Group's existing agreements contain certain provisions which could materially adversely affect our loan portfolios and combined business operations after completion of the Capquest Acquisition. For example, change of control provisions give counterparties a right to either terminate their DCA agreements with, or repurchase loan portfolios under certain debt purchase agreements from, the Capquest Group upon completion of the Capquest Acquisition. In certain instances the Capquest Group's debt purchase agreements expose it to debt pre-purchase liabilities or significantly limit its ability to seek recourse from debt purchase counterparties post-purchase, or limit its right to put back accounts. We cannot provide any assurance that these counterparties will not terminate their agreements with the Capquest Group after the completion of the Capquest Acquisition or seek to renegotiate the terms of the agreements, including pricing.

In addition, the Capquest Group conducts its contingency collections business on the basis of contracts with third parties that are subject to regular renewal (usually every two years). If such contracts are not renewed as expected, we could face a reduction in revenue attributable to contingency collections following the Capquest Acquisition, which could have a material adverse effect on our financial performance and results of operations. We may also incur costs in relation to Capquest Group's in-house collection operations. Such costs may require expenditure prior to, and without certainty of, collections being made, which might not be offset (immediately or at all) by collections revenue. This could have a material adverse effect on our financial performance and results of operations.

The Capquest Group is subject to many of the same risks that we currently face and that are described in this Offering Memorandum, and those same risks may have a material adverse effect on the business, financial condition and results of operations of the Capquest Group. If we fail to adequately address any of these risks or problems, the businesses of the Capquest Group and our business as a whole may decline.

A significant proportion of the consideration to be paid for the Capquest Acquisition has been allocated to its portfolios based on our own ERC forecasts, which may prove to be inaccurate.

A significant proportion of the consideration paid for the Capquest Acquisition has been allocated to its portfolios based on our own Gross ERC forecasts of the Capquest Group's purchased loan portfolios. The value attributed to these loan portfolios, which have been re-underwritten (based on our proprietary ERC forecasting model and account level data) at returns in line with our usual targets, may prove to be greater than the actual level of collections achieved, which may result in us having to recognize valuation impairments and increase amortization and which may result in lower revenue and returns on portfolio purchases than had been forecast, which may have a material adverse effect on our financial condition and results of operations.

We may be unable to integrate the Capquest Group effectively and realize the expected synergies from the Capquest Acquisition.

We cannot assure you that we will be able to integrate the Capquest Group effectively. If we cannot successfully integrate the Capquest Group within a reasonable time following the Capquest Acquisition, we may not be able to realize the potential and anticipated benefits from the Capquest Acquisition as many of our expected synergies will be realized, if ever, several years after the Capquest Acquisition. In connection with the integration of the Capquest Group into our existing operating structure, we will seek to realize run-rate synergies and cost savings of £6.5 million on an annual basis commencing in 2016. See ''The Transactions—Rationale for the Capquest Acquisition.'' We expect to incur substantial costs to achieve any additional synergies and cost savings. We cannot assure you that we will be able to realize any of these synergies or cost savings, and the costs we incur in trying to realize these synergies may be substantially higher than our current estimates and may outweigh the benefits.

Our anticipated cost synergies are based upon assumptions about our ability to implement these measures in a timely fashion and within certain cost parameters. Our ability to achieve the planned cost synergies is dependent upon a significant number of factors, some of which may be beyond our control. If one or more of our underlying assumptions regarding the integration of the two businesses proves to have been incorrect, it may not be possible to achieve the anticipated synergies.

Any inability to realize the anticipated cost savings, synergies and revenue enhancements from the Capquest Acquisition could have a material adverse effect on our business, results of operations, financial condition and cash flows. This could have a material adverse impact on our relationships with customers, regulators, employees and other market participants.

Furthermore, cost and operational efficiencies realized as the result of integrating the two businesses may not be able to be sustained in the long term, and may be negatively affected by unforeseen legal, regulatory, contractual or other issues or other costs, which could have a material adverse effect on our financial condition and results of operations.

Management distraction in connection with the Capquest Acquisition could have an adverse effect on our business.

The Capquest Acquisition has required, and will continue to require, substantial amounts of management's time and focus, which could adversely affect their ability to operate the business. The management team will also be required to devote significant attention and resources to integrating the two businesses. There is a risk that the challenges associated with managing the Capquest Acquisition will result in management distraction and that consequently the two businesses will not perform in line with expectations.

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 June 30, 2014, after giving effect to the Capquest Acquisition, the Loan Conversion, the Offering and the use of proceeds therefrom and cash on hand to fund the Capquest Acquisition (including to repay the Capquest Group's indebtedness) and to repay a portion of the amounts drawn under the Arrow Global Revolving Credit Facility, among other things, we would have had as adjusted net debt of £402.8 million. We would also have had £92.3 million available for borrowing under the Arrow Global Revolving Credit 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 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 Indenture will restrict, and the 2020 Indenture and the Arrow Global Revolving Credit Facility 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 the Notes—Certain covenants,'' ''Description of Other Indebtedness—2020 Notes—Covenants and events of default'' and ''Description of Other Indebtedness—Arrow Global Revolving Credit Facility—Covenants.''

Certain covenants under the Indenture may be less restrictive than the equivalent covenants in the 2020 Indenture. Subject to market conditions, we may launch a consent solicitation to amend certain provisions of the 2020 Indenture after completion of the Offering, aimed at harmonizing certain covenants in the 2020 Indenture with the covenants in the Indenture, which will enable us to monitor more effectively our compliance with our obligations to holders of the Notes and the 2020 Notes. To the extent we do not launch the consent solicitation, or any consent solicitation is not successful, we will be subject to the more restrictive covenants of the 2020 Indenture until the 2020 Notes are no longer outstanding.

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 Indenture and the 2020 Indenture will be suspended if the Notes and the 2020 Notes, respectively, are rated investment grade with a stable outlook by both of Standard & Poor's Rating Services (***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 2020 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 the covenants under the Arrow Global Revolving Credit Facility, the 2020 Indenture or the Indenture, 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 1.0 and 0.25 to 1.0, 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 Indenture. 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 2020 Notes and the Notes, that 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 2020 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 2020 Indenture and the Arrow Global Revolving Credit Facility 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, under the Indenture, in addition to specified permitted indebtedness, we will be able to incur additional indebtedness so long as on a *pro forma* basis our consolidated fixed charge coverage ratio, as defined in the Indenture, is at least 2.5 to 1.0 (in the case of the Indenture) and 2.75 to 1.0 (in the case of the 2020 Indenture), which so long as the 2020 Notes remain outstanding requires us, as a practical matter, to meet the stricter test in the 2020 Indenture. 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 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 (including in respect of the Capquest Acquisition) 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 2020 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 bear, and borrowings under the Notes will 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 from the Arrow Global Revolving Credit Facility. We use the Arrow Global Revolving Credit Facility to service our portfolio purchases, working capital needs and for various other purposes. Should we lose the ability to access funds from 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 from 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 from the Arrow Global Revolving Credit Facility depends on, among other things, our ability to maintain a LTV Ratio of 0.75 to 1.0 and an SSLTV Ratio of 0.25 to 1.0, 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 the covenants under the Arrow Global Revolving Credit Facility, the 2020 Indenture or the Indenture, 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.'' This inability to purchase portfolios or to maintain our operations due to a lack of cash flow would materially and adversely affect our business.

The Issuer and the Parent Guarantors are finance companies that 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 are finance companies and conduct no business operations of their own. The Issuer has no subsidiaries and its only material assets and only sources of revenue are expected to be its rights to receive payments from our distributions and payments from our subsidiaries. The ability of the Issuer to make payments on the Notes is, therefore, likely to be dependent on the payments received from its proceeds loans. If the payments from the borrowers of these loans are not made, for whatever reason, the Issuer may not 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 Guarantor under the Notes and the holders of *pari passu* additional debt, including the 2020 Notes. In addition, 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 2020 Indenture and 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 Indenture and the Intercreditor Agreement 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 2020 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 2020 Notes and certain priority hedging obligations. The Indenture will also 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 2020 Notes, 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 (see ''Description of Other Indebtedness—Currency Hedging Arrangements''), 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 2020 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 2020 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 2020 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.

In general, the facility agent under the Arrow Global Revolving Credit Facility and any agent with respect to any permitted future secured credit facility debt will have the right to participate in the enforcement process in respect of the shared Collateral, subject to certain restrictions in connection with, among other things, the ability to provide enforcement instructions to the Security Agent. The Intercreditor Agreement provides that the process for giving enforcement instructions in relation to the shared Collateral may be initiated by (i) the required majority by value of the super senior creditors referred to above or (ii) the holders of 50% of the outstanding principal amount of the Notes, the 2020 Notes and *Pari Passu* Creditors. In certain cases, the instructions of the majority by value of the super senior creditors referred to above will prevail over the enforcement instructions of the holders of the Notes, the 2020 Notes and *Pari Passu* Creditors (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 2020 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 2020 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 2020 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 2020 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.''

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 2020 Indenture 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 2020 Indenture 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 Indenture, the 2020 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 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 Notes will not be guaranteed on the Issue Date by the Additional Guarantors.

On the Issue Date, the Notes will only have the benefit of guarantees from the Original Guarantors. Although we expect that the Additional Guarantors will accede to the Indenture and provide a guarantee of the Notes no later than 30 days from the Capquest Acquisition Completion Date, we cannot assure you that we will be able to complete all of the relevant procedures and formalities necessary to provide a guarantee of the Notes by such date, or at all, as some of these procedures and formalities are outside of our control. For as long as one or more of the Additional Guarantors has not acceded to the Indenture, the holders of Notes will not be entitled to the benefits of a guarantee by such entity or the Additional Collateral.

If any of the Additional Guarantors have not guaranteed the Notes on or before 30 days after the Capquest Acquisition Completion Date, a default under the Indenture governing the Notes would result and the obligations under the Notes could be accelerated and declared immediately due and payable if each of the Additional Guarantors has not guaranteed the Notes within the applicable cure period.

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 Indenture and the Intercreditor Agreement 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.

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

Upon a Change of Control, as defined in the Indenture, we would be required to make an offer to repurchase the Notes at 101% of their principal amount. 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 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 Notes or that the restrictions in the Arrow Global Revolving Credit Facility, the 2020 Indenture, the Indenture, the Intercreditor Agreement or our other then-existing contractual obligations would allow us to make such required repurchases. A Change of Control is a mandatory prepayment event under the Arrow Global Revolving Credit Facility, and a Change of Control may result in an event of default under, or acceleration of our other indebtedness. The repurchase of the 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 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 2020 Indenture and the other applicable 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 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 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'' as defined in the Indenture. Except as described under ''Description of the Notes—Change of Control,'' the Indenture will 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 has occurred or will occur.

One of the ways a Change of Control 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 Triggering Event 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 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 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 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 or will be incorporated under the laws of England and Wales. The bankruptcy, insolvency, administrative and other laws of England and Wales and Guernsey 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 be 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, as the case may be, conflicts of laws principles;
- 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. 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 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 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 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 June 30, 2014, the Original Guarantors held 100% of our total assets and were responsible for 99% of our total liabilities. For the 12 months ended June 30, 2014, the Original Guarantors contributed 99% of our Adjusted EBITDA and 99% of our total revenue.

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 does 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 or the euro, 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.

The Notes are new securities for which there is currently no existing market. 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 2020 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 our consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 reproduced herein, Deloitte LLP, our previous independent auditor, provides: ''This report is made solely to the company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. 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.''

Audit reports issued by KPMG LLP, our current independent auditor, in relation to future financial statements will be provided on a similar basis and subject to limitations and restrictions.

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, which 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 ''Book-Entry; Delivery and Form.''

Payments under the Notes may be subject to withholding tax under the EU Directive on the taxation of savings income.

Under European Union Council Directive 2003/48/EC on the taxation of savings income (the ***Directive***), each Member State is required to provide to the tax authorities of another Member State details of certain payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident (or certain other kinds of entity established) in that other Member State. However, for a transitional period, Austria and Luxembourg are instead required (unless during that period they elect otherwise) to apply a withholding system in relation to such payments, deducting tax at a rate of 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. However, during that transitional period, no such withholding will apply under the Directive to a payment if the beneficial owner of that payment authorizes an exchange of information and/or the beneficial owner presents a certificate from the tax authority of the EU Member State in which the beneficial owner is resident. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from January 1, 2015, in favor of automatic information exchange under the Directive.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures (in certain circumstances on a reciprocal basis). Investors who may be affected by any of these arrangements are advised to consult their own professional advisors.

On March 24, 2014, the Council of the European Union adopted a directive amending the Directive (the ***Amending Directive***), which when implemented will amend and broaden the scope of the requirements described above. Member States are required to apply these new requirements from January 1, 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Amending Directive will also expand the circumstances in which payments must be reported, which may apply to payments made to, or collected for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

If a payment were to be made or collected through a Member State (or a non-EU country or territory which has adopted similar measures) which has opted for a withholding system and an amount of tax were to be withheld from, or in respect of, that payment, pursuant to the Directive or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any other law implementing or complying with, or introduced in order to confirm to any such directive, neither the Issuer nor any paying agent nor any other person would be obliged to pay additional amounts to the holders of Notes or to otherwise compensate holders for the reduction in the amounts that they will receive as a result of the imposition of such withholding tax. However, the Issuer is required, to the extent possible, to use reasonable endeavors to maintain a paying agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive (so long as there is at least one such Member State).

Investors who are in any doubt as to their position as regards the Directive should consult their professional advisors. Investors should also note that the Directive does not preclude Member States from levying other types of withholding tax.

THE TRANSACTIONS

Capquest Acquisition

On September 23, 2014, AGG and AGIHL entered into a sale and purchase agreement with Quest Holdings B.V. and current and former management shareholders of the Capquest Group under which AGIHL will acquire the issued share capital of Quest Topco Limited.

Overview of the Capquest Group

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.

Founded as a DCA, 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. Over the past decade, the Capquest Group has developed extensive debt purchasing capabilities and has grown to become one of the largest privately-owned purchasers of non-performing consumer debt in the UK (based on 120-Month Gross ERC). As an established participant in the UK market, it partners with a diverse client base and holds positions on both DP and DCA panels.

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. This contingency collections business complements its debt purchase activities, providing the Capquest Group with enhanced client relationships in the banking sector, increased proprietary deal flow and continuous operational improvement from collections experience.

In 2011, the Capquest Group was acquired by funds managed by TowerBrook, a private equity firm, and subsequently underwent significant restructuring. Since 2012, the Capquest Group's senior management team has been strengthened by a number of new appointments, including Chief Executive Officer Helen Ashton, a former managing director of Barclaycard International. Since then, the senior management team has driven a number of initiatives that have supported its operational development and continued growth.

Since 2012, the Capquest Group has invested in seeking to build an industry-leading approach to compliance, creating a governance framework and processes that leverage best practice from the broader financial services industry. As part of its organizational change program, it also has focused on developing an integrated data, analytics and technology platform to underpin its flexible operating model, which is currently in the final phases of a staged implementation. This highly-advanced technology platform is expected to further enhance the Capquest Group's account servicing capabilities with a strong focus on compliance and the customer journey.

As of June 30, 2014, the Capquest Group had 385 full time equivalent employees across two offices in Farnborough and Glasgow.

As of June 30, 2014, the Capquest Group owned and managed defaulted debt portfolios with an aggregate face value of £4.8 billion, including £4.1 billion of purchased loan portfolios and approximately 2.8 million owned customer accounts, based on portfolio purchases made between September 1, 2004 and June 30, 2014. Adjusted EBITDA of the Capquest Group, which it believes is representative of its operating cash generation, has grown from £29.8 million for the year ended March 31, 2012 to £34.1 million for the 12 months ended June 30, 2014. As of June 30, 2014, 80.0% of Capquest Group's defaulted debt portfolios (by purchase price) were financial services loan portfolios (with the remaining consisting of retail, telecommunications and motor finance portfolios).

Rationale for the Capquest Acquisition

We believe that the Capquest Acquisition is an important step in our growth strategy and helps us to advance our vision of becoming Europe's leading purchaser and manager of debt. Combining our data-driven master servicing model with the Capquest Group's customer-focused, in-house collections platform will support and enhance our business model reflecting both the scale that we have now achieved and changing industry dynamics, as debt originators reduce their panel sizes and focus on panel members' compliance and accountability in response to the FCA regulatory regime that came into effect in April 2014. We believe that the UK debt purchase sector is entering a period of increasing consolidation around a core group of leading debt purchasers, with an associated reduction in the size of debt sellers' panels as they increase their focus on stronger, longer-term relationships with a smaller number of large-scale participants. We believe that the Capquest Acquisition has compelling strategic and financial benefits, as follows:

Strengthened market position and increased scale

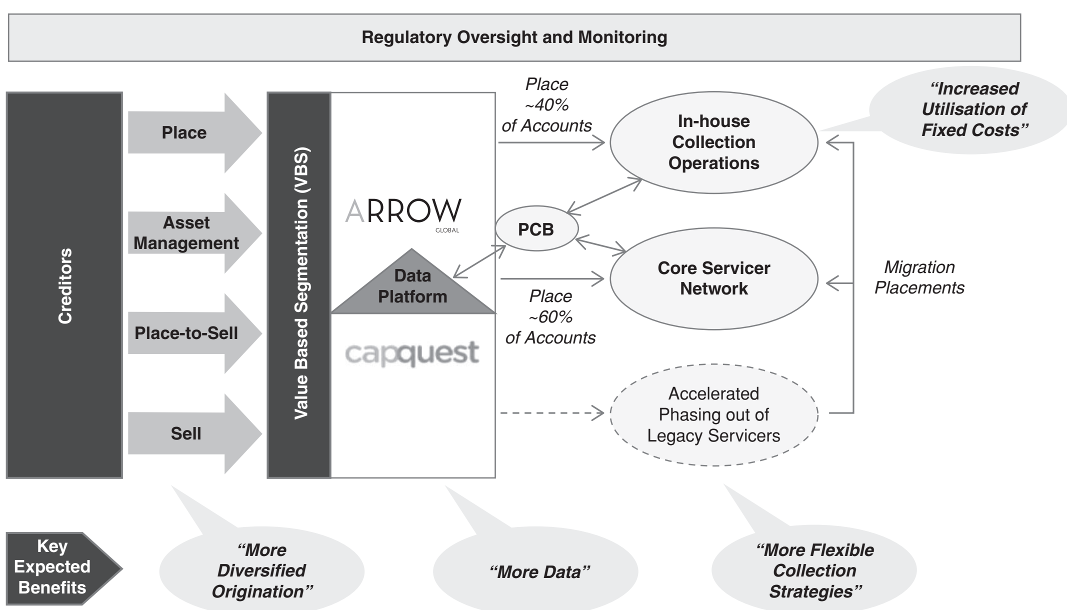
The Capquest Acquisition enhances our position as a leading debt purchase and management business, adding Capquest Group's 2.8 million customer accounts with a face value of £4.1 billion (based on face value of portfolios acquired between September 1, 2004 and June 30, 2014) and 120-Month Gross ERC of £224.5 million as of June 30, 2014. We believe that this will make us one of only two UK purchasers of non-performing unsecured consumer debt with over £1 billion of Combined 120-Month Gross ERC as of June 30, 2014, following the Capquest Acquisition. Had we completed the Capquest Acquisition on June 30, 2014, we would have had £15.4 billion in Combined receivables under management by face value (£12.4 billion of which would have been owned), Combined 120-Month Gross ERC of £1.1 billion (and 8.9 million combined accounts under management (8.2 million of which would have been owned), with 82.0% of those combined accounts under management (by purchase cost) being financial services accounts. The Capquest Acquisition reinforces our established focus on the financial services sector and is expected to provide increased customer insight from collections operations, which is expected to further improve pricing models and underwriting accuracy. We believe that our increased scale following the Capquest Acquisition will provide us with economies of scale and cost savings, enhanced data assets that will help us further improve our underwriting and collection processes, and enhance our customers' experiences.

Reinforced business model

The combination of Capquest Group's customer-focused in-house collection capabilities with Arrow's master servicing model (where collections are outsourced to third party DCAs) is expected to provide us with an enhanced collection model from a cost, operational and regulatory perspective.

Following the Capquest Acquisition and the integration of the Capquest Group's customer-focused in-house collection platform, we expect to manage approximately 40% of the UK collections of the combined business in-house. For the remaining approximately 60% of collections, we expect to continue to work with specialist outsourced DCAs, but also expect to accelerate our current DCA panel rationalization process to result in a core group of strategic DCA partners. We believe that this flexible model will enable us to utilize fully what we believe to be a high-quality customer-focused servicing platform and improve further our ability to oversee a smaller outsourced DCA panel, thereby improving the overall experience of our customers. We also believe that this model will enable us to continue to enjoy an efficient and flexible cost structure, with approximately 60% of our cost base (based on Combined figures for the 12 months ended June 30, 2014 and taking into account anticipated synergies and costs savings as a result of the Capquest Acquisition) still being variable.

The following chart represents our expected collection model following the Capquest Acquisition and the integration of the Capquest Group's in-house collection platform.



Diversification of origination sources and assets

The Capquest Acquisition will enable us to provide both purchase and contingency collections capabilities to our clients, which we believe will increase debt purchasing opportunities and has the potential to enable us to access a more diverse range of origination sources, extending our reach into new asset classes and providing us the opportunity to work with creditors on a ''place-to-sell'' basis.

The Capquest Group's existing presence in the motor finance sector and established capability to collect high volume low balance accounts also furthers our aim to diversify into new asset classes. In addition, the Capquest Group's presence on a number of bank debt purchase panels, its existing Forward Flow Agreements with Debt Sellers, and its established capability as a contingency collections provider for a number of strategic clients in the financial services sector will enhance our own offering to our clients.

Opportunity for further data and analytics enhancements

The Capquest Acquisition is expected to provide us with a platform for further data and analytics enhancements and to increase both account match rates and collections. It will combine our 5.4 million owned customer accounts with the 2.8 million owned customer accounts of the Capquest Group (in each case as of June 30, 2014) to further increase the depth of our data assets, alongside contributions from the PCB. As a result, we estimate (based on applying combined Group and Capquest Group data to three financial services portfolios) that match rates for UK portfolios will increase from 40% (our average UK match rate for the six months ended June 30, 2014) to approximately 50% following the Capquest Acquisition. The combination of these data assets and the Capquest Group's advanced technology and servicing platform, once fully-implemented, is also expected to enhance our collections performance and provide us greater insight into payment trends across debt types and demographics, enabling us to further improve our pricing models and underwriting accuracy.

Financially attractive with strong synergies expected

We believe that the Capquest Acquisition is financially attractive, with an implied enterprise value multiple of 0.7 times the Capquest Group's 120-Month Gross ERC as at March 31, 2014, based on our account-level re-underwriting of the Capquest Group's loan portfolios. We believe the Capquest Acquisition utilizes our balance sheet to acquire UK portfolio assets at a purchase cost of approximately £110 million at returns that we believe will be in line with our usual targets. We also believe that the Capquest Acquisition provides potential for uplift in Combined Gross ERC as a result of the overlap in the customer base of the two businesses. In addition, we expect to generate run-rate synergies and cost savings of £6.5 million on an annual basis commencing 2016, in connection with the integration of the business of the Capquest Group following the Capquest Acquisition. Following the Capquest Acquisition, we will retain what we believe to be a strong and prudent balance sheet.

Capquest Acquisition Agreement

The Capquest Acquisition Agreement was entered into on September 23, 2014 among AGG, AGIHL and the sellers to give effect to the Capquest Acquisition. Pursuant to the Capquest Acquisition Agreement, the sellers have conditionally agreed to sell the entire issued share capital of Quest Topco Limited, a company incorporated and registered in England and Wales, which is the holding company for the Capquest Group.

In addition, AGIHL entered into the warranty deed on September 23, 2014 (the ***Warranty Deed***) with certain warrantors (the ***Warrantors***) pursuant to which the Warrantors gave warranties in relation to the business of the Capquest Group.

The principal terms and conditions of the Capquest Acquisition Agreement and the Warranty Deed are set out below.

Consideration. The consideration payable upon completion of the Capquest Acquisition (the ***Completion Payment***) will be allocated as between (a) the repayment of the Capquest Shareholder Loan Notes and the Capquest Management Loan Notes, (b) repayment of third-party indebtedness of the Capquest Group under the Capquest Term and Revolving Credit Facilities and the Lombard Financing Arrangements and (c) the consideration for the shares in Quest Topco Limited. The parties have agreed that £1.6 million of the Completion Payment will be transferred by AGIHL to a third party escrow account at completion pending (and subject to) the satisfactory resolution of ongoing discussions with HMRC in connection with a potential tax liability of the Capquest Group related to deductions for interest on the Capquest Group's existing shareholder debt. The amount held in escrow will be released to the sellers only if HMRC has provided a confirmation by March 31, 2015 (or such later date as permitted by the Capquest Acquisition Agreement provided that such date is no later than December 31, 2015) that HMRC will enter into an agreement with Quest Topco Limited as a result of which no member of the Capquest Group will be liable to pay additional tax for certain prior years as a result of the disallowance of interest deductions accruing on the Capquest Group's existing shareholder debt.

The parties have agreed a locked box mechanism based on the balance sheet of the Capquest Group as of March 31, 2014. Pursuant to the locked box mechanism, AGIHL will take the risk of, and will benefit from, any changes in the financial position of the Capquest Group between March 31, 2014 and the Capquest Acquisition Completion Date. Each seller is responsible for repaying any value received by that seller since March 31, 2014 on a pound-for-pound basis. Certain ordinary course payments and transaction related costs are specifically permitted by the terms of the Capquest Acquisition Agreement and the Capquest Acquisition Agreement includes a true-up mechanism to reflect certain changes in those costs between signing and the Capquest Acquisition Completion Date.

Conditions to completion. The Capquest Acquisition constitutes a Class 1 transaction for the purposes of the Listing Rules and is therefore conditional upon approval by AGG shareholders at a general meeting (the ***Shareholder Approval Condition***). The Capquest Acquisition is also conditional upon there having been no breach of certain key pre-completion covenants in relation to the Capquest Group which, taken together, have had a material adverse effect on the Capquest Group.

One of the Capquest companies is authorized by the FCA and, therefore, prior FCA consent to the change of control of this entity is required. If FCA consent to the change of control is not received by AGIHL before the Shareholder Approval Condition is satisfied, this entity will be transferred to Quest Holdings B.V. and the Capquest Acquisition will proceed. AGIHL will continue to seek FCA approval to the change of control following the Capquest Acquisition and will acquire this entity if such consent is granted. If FCA approval is not received within six months of the date of the Capquest Acquisition Agreement (or such later date as permitted by the Capquest Acquisition Agreement), this entity will be retained by Quest Holdings B.V. and AGIHL will not acquire this entity.

Warranties and liability caps. Each seller has given customary warranties to AGIHL at signing in relation to: (i) that seller's title to the shares to be sold by that seller pursuant to the Capquest Acquisition; and (ii) that seller's capacity and authority to enter into the Capquest Acquisition Agreement. The liability of each seller under the Capquest Acquisition Agreement is on an individual and several basis. The Capquest Acquisition Agreement sets out customary financial and other limitations in relation to claims under the Capquest Acquisition Agreement.

At signing, the Warrantors also provided customary warranties in relation to the Capquest Group's business under the terms of the Warranty Deed. These warranties are subject to significant limitations on the maximum value of any claims and AGIHL may not recover in full from the Warrantors for losses that it may suffer in respect of a breach of those warranties. The claims period under the Warranty Deed is eighteen months after completion (three years in the case of tax claims). Further, no claims may be brought against the Warrantors in respect of matters which occurred more than three years prior to the signing of the Warranty Deed.

Pre-completion covenants. The management sellers have given certain customary covenants in relation to the period between signing of the Capquest Acquisition Agreement and completion, including to carry on the Capquest Group's business in the normal course and to refrain from taking certain actions in respect of Capquest Group's business without the consent of AGIHL. Quest Holdings B.V. also has agreed, in its capacity as shareholder, to ensure that the Capquest Group complies with the pre-completion covenants.

Additional funding of the Capquest Group by Quest Holdings B.V. Quest Holdings B.V. may provide additional funding to the Capquest Group in the period between the signing of the Capquest Acquisition Agreement and the Capquest Acquisition Completion Date in order to: (a) fund new portfolio purchases by the Capquest Group provided that the targeted 84 month gross money multiple is at least 1.5 times (***Portfolio Purchases***); or (ii) meet the general expenditure requirements of the Capquest Group, which would not have been required to be funded by Quest Holdings B.V. but for required expenditure for the Capquest Group's integrated technology platform (***General Expenditure***).

If funding has been provided by Quest Holdings B.V. to Capquest for Portfolio Purchases, this funding shall be repaid in full at completion. If funding has been provided for General Expenditure, such funding is repayable only to the extent that it is less than or equal to the reduction in the Capquest Group's net debt between March 31, 2014 and the Capquest Acquisition Completion Date.

On October 21, 2014, Quest Holdings B.V. notified us that it is proposing to provide £5.3 million of additional funding to the Capquest Group for General Expenditure on or around October 27, 2014.

Post-completion covenants. Quest Holdings B.V. has provided an undertaking that it will not acquire certain competing businesses during the 12 month period following completion. The Capquest Acquisition Agreement also contains a customary two-year non-solicitation covenant from Quest Holdings B.V. with respect to certain senior Capquest Group employees; the covenants are subject to customary carve-outs.

Termination and compensation payments. The Capquest Acquisition Agreement will terminate if the Shareholder Approval Condition is not satisfied by January 26, 2015. If the Capquest Acquisition Agreement is terminated as a result of a failure to satisfy the Shareholder Approval Condition, we have agreed to make a compensation payment of £1 million (inclusive of any amounts in respect of VAT) to Quest Holdings B.V., unless such failure was caused by a breach by Quest Holdings B.V. of its obligations under the Capquest Acquisition Agreement.

Governing law. The Capquest Acquisition Agreement and the Warranty Deed are governed by the laws of England and Wales.

The Offering

We will receive the net proceeds of the offering of the Notes only if the Capquest Acquisition completes.

The gross proceeds from the Offering, together with cash on hand, will be used:

- to fund the Capquest Acquisition, including to repay amounts outstanding under, and terminate, the Capquest Shareholder Loan Notes, the Capquest Management Loan Notes, the Capquest Term and Revolving Credit Facilities (including customary breakage costs), the Lombard Financing Arrangements and the mark-to-market exposure on the Capquest Group's existing hedging arrangements;
- to repay a portion of the amounts drawn under the Arrow Global Revolving Credit Facility; and
- to pay fees and expenses in connection with the Transactions.

See ''Use of Proceeds.''

Release of proceeds of the Offering from escrow

Pending the completion of the Capquest Acquisition, the gross proceeds from the Offering will be deposited into the Escrow Account by Goldman Sachs International. The Escrow Account will be controlled by the Escrow Agent and pledged on a first-ranking basis in favor of the Trustee, on behalf of the holders of the Notes, pursuant to the Escrow Agreement. The release of the Escrowed Property will be subject to the satisfaction of certain conditions as set out in the Escrow Agreement. The Escrow Agreement will provide that the Escrowed Property will be released on the Escrow Release Date in order to fund the Capquest Acquisition. The completion of the Capquest Acquisition is subject to the satisfaction of certain conditions. If the Capquest Acquisition is not completed on or prior to the Escrow Longstop Date, or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price will be equal to 100% of the aggregate issue price of the Notes, plus accrued and unpaid interest, if any, from the Issue Date to the date of the special mandatory redemption. See ''Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption.''

For more information, see ''Use of Proceeds,'' ''Capitalization,'' and ''Description of the Notes.''

USE OF PROCEEDS

The expected estimated sources and uses of the funds necessary to complete the Transactions are shown in the below table as if they had occurred as of June 30, 2014. Actual amounts will vary from estimated amounts depending on several factors, including the ultimate timing of the Capquest Acquisition Completion Date, differences from our estimates of the outstanding amounts under the Arrow Global Revolving Credit Facility and any prepayment costs, our estimates of fees and expenses, and fluctuations in foreign currency exchange rates.

Sources of funds	Amount[1]		Uses of funds	Amount[1]	
	(£m)	(€m)		(£m)	(€m)
Notes offered hereby[2]	180.1	225.0	Funds for Capquest Acquisition[3]	158.0	197.4
Cash on hand	12.1	15.2	Repayment of a portion of amounts drawn under the Arrow Global Revolving Credit Facility[4]	19.2	24.0
			Estimated fees and expenses[5]	10.5	13.1
			Original issue discount[6]	4.5	5.6
Total sources	192.2	240.2	**Total uses**	192.2	240.2

(1) Euro amounts have been converted to pounds sterling at a rate of €1.2493 to £1.00, the Bloomberg Composite Rate on June 30, 2014. 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 euro at the rate indicated or at any other rate. In particular, the exchange rate at which the proceeds of this Offering will be converted into pounds sterling may be materially different. See ''Exchange Rate Information.''

(2) If the Capquest Acquisition is not completed on or prior to the Escrow Longstop Date, or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price will be equal to 100% of the aggregate issue price of the Notes, plus accrued and unpaid interest, if any, from the Issue Date to the date of the special mandatory redemption. See ''Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption.''

(3) The consideration payable upon the completion of the Capquest Acquisition will be allocated as between the repayment of outstanding indebtedness of the Capquest Group and the consideration for the share capital of Quest Topco Limited. As of June 30, 2014, the Capquest Group's indebtedness comprised amounts outstanding under the Capquest Shareholder Loan Notes (£88.4 million), the Capquest Management Loan Notes (£5.9 million), the Capquest Term and Revolving Credit Facilities (£58.7 million) and the Lombard Financing Arrangements (£1.6 million). We also expect to pay customary breakage costs in connection with the termination of the Capquest Term and Revolving Credit Facilities, as well as amounts to settle the Capquest Group's outstanding hedging arrangements. Actual amounts paid for the Capquest Acquisition may vary in accordance with the terms of the Capquest Acquisition Agreement. See ''The Transactions—Capquest Acquisition—Capquest Acquisition Agreement'' and ''Summary—Current Trading—Capquest Group.''

(4) As of June 30, 2014, £26.9 million was drawn under the Arrow Global Revolving Credit Facility. On September 16, 2014, we amended the Arrow Global Revolving Credit Facility to, among other things, increase Total Commitments from £55.0 million to £82.5 million (and, effective upon completion of the Capquest Acquisition, to £100.0 million). We expect to repay £19.2 million of the £26.9 million drawn under the Arrow Global Revolving Credit Facility as of June 30, 2014. Upon such repayment, and assuming the increase in Total Commitments to £100.0 million, we would have £92.3 million available for borrowing under the Arrow Global Revolving Credit Facility. See ''Description of Other Indebtedness—Arrow Global Revolving Credit Facility.''

(5) Represents the estimated fees and expenses in relation to the Capquest Acquisition and the Offering, including fees and commissions payable to the Initial Purchasers, financing fees, advisory fees and other transaction costs and professional fees. £5.1 million of the estimated fees and expenses comprises unamortized debt issuance costs and will be capitalized over the term of the Notes.

(6) Represents 2.5% of the aggregate principal amount of the Notes.

CAPITALIZATION

The following table sets forth our consolidated capitalization and certain other balance sheet information:

- on an actual basis as of June 30, 2014; and
- on an as adjusted basis to give effect to the Capquest Acquisition, the Loan Conversion, the Offering and the use of proceeds therefrom and cash on hand to fund the Capquest Acquisition (including to repay the Capquest Group's indebtedness) and to repay a portion of the amounts drawn under the Arrow Global Revolving Credit Facility, among other things. As adjusted information below is illustrative only and does not purport to be indicative of our capitalization following the completion of the foregoing.

You should read this table together with the sections of this Offering Memorandum entitled ''The Transactions,'' ''Use of Proceeds,'' ''Unaudited *Pro Forma* Condensed Combined Financial Information,'' 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 June 30, 2014		
	Actual	**Adjustments**	**As adjusted**
		(£m)	
Cash and cash equivalents	**17.1**	**(12.1)**[(1)]	**5.0**
Debt:			
2020 Notes/Senior secured notes[(2)]	220.0	—	220.0
Notes offered hereby[(3)]	—	180.1	180.1
Arrow Global Revolving Credit Facility/Revolving credit facility[(4)(5)]	26.9	(19.2)	7.7
Total debt excluding 2013 Shareholder Loan	**246.9**	**160.9**	**407.8**
2013 Shareholder Loan[(6)]	41.7	(41.7)	—
Total debt including 2013 Shareholder Loan	**288.6**	**119.2**	**407.8**
Total equity attributable to shareholder	**66.8**	**(5.4)**[(7)]	**61.4**
Total capitalization	**355.4**	**113.8**	**469.2**

(1) The adjustment to cash and cash equivalents reflects the gross proceeds from the Notes offered hereby (£180.1 million), amounts used to fund the Capquest Acquisition (including to repay the Capquest Group's indebtedness) (£158.0 million), amounts used to repay a portion of the amounts drawn under the Arrow Global Revolving Credit Facility (£19.2 million), estimated fees and expenses related to the Transactions (£10.5 million) and the original issue discount on the Notes (£4.5 million). As of October 28, 2014, our cash and cash equivalents had decreased by £7.3 million compared to June 30, 2014 due to portfolio purchases and the payment of accrued interest on the 2020 Notes. See note 2 under ''Summary—Summary Consolidated Historical Financial and Other Data—As adjusted financial information,'' ''Summary—Current Trading—Group'' and ''Use of Proceeds.''

(2) Represents the aggregate principal amount of the 2020 Notes (including unamortized debt issuance costs of £7.4 million). The amount is shown net of unamortized debt issuance costs in our consolidated balance sheets. Presented as ''Senior secured notes'' in our consolidated financial statements. See ''Presentation of Financial and Other Information—Financial Information for the Group.''

(3) This amount corresponds to €225.0 million of the aggregate principal amount of the Notes offered hereby (converted into pounds sterling at the rate of €1.2493 per £1.00, the Bloomberg Composite Rate on June 30, 2014) and includes €6.4 million (£5.1 million) of unamortized debt issuance costs will be capitalized over the life of the Notes. The amount will be shown net of unamortized debt issuance costs in our future consolidated balance sheets. The amount stated does not include any original issue discount.

(4) The maximum amount outstanding under the Arrow Global Revolving Credit Facility during the period between June 30, 2014 and September 30, 2014 was £26.9 million. On September 16, 2014, we amended the Arrow Global Revolving Credit Facility to, among other things, increase Total Commitments from £55.0 million to £82.5 million (and, effective upon completion of the Capquest Acquisition, to £100.0 million). We expect to repay £19.2 million of the £26.9 million drawn under the Arrow Global Revolving Credit Facility as of June 30, 2014. Upon such repayment, and assuming the increase in Total Commitments to £100.0 million, we would have £92.3 million available for borrowing under the Arrow Global Revolving Credit Facility. See ''Use of Proceeds'' and ''Description of Other Indebtedness—Arrow Global Revolving Credit Facility.''

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

(6) Subsequent to the IPO, £41.7 million of cash, representing net proceeds from the IPO, was loaned to Arrow Global Limited in the form of the 2013 Shareholder Loan. On August 27, 2014, the 2013 Shareholder Loan was converted into a subordinated loan to AGGHL qualifying as Subordinated Shareholder Funding (under the 2020 Indenture, which has the same meaning in the Indenture).

(7) See ''Unaudited *Pro Forma* Condensed Combined Financial Information'' for details on adjustments relating to total equity attributable to the shareholder.

UNAUDITED *PRO FORMA* CONDENSED COMBINED FINANCIAL INFORMATION

Basis of Preparation

The following unaudited *pro forma* condensed combined financial information is presented to illustrate the expected effects of the proposed Capquest Acquisition, the Offering and the use of proceeds therefrom and cash on hand to fund the Capquest Acquisition (including to repay the Capquest Group's indebtedness) and to repay a portion of the amounts drawn under the Arrow Global Revolving Credit Facility, on our historical financial position and results of operations. For a description of the Transactions, see ''The Transactions'' and ''Use of Proceeds.''

The following unaudited *pro forma* condensed combined balance sheet as of June 30, 2014 is based on and derived from and should be read in conjunction with the unaudited condensed consolidated interim financial statements of AGGHL as of June 30, 2014 and unaudited condensed consolidated interim financial statements of Quest Topco Limited as of June 30, 2014 included in this Offering Memorandum.

The following unaudited *pro forma* condensed combined income statement for the year ended December 31, 2013 is based on and derived from and should be read in conjunction with the audited consolidated financial statements of AGGHL for the year ended December 31, 2013 and the audited consolidated financial statements of Quest Topco Limited for the year ended March 31, 2014, included in this Offering Memorandum.

The following unaudited *pro forma* condensed combined income statement for the six months ended June 30, 2014, is based on and derived from and should be read in conjunction with the unaudited condensed consolidated interim financial statements of AGGHL for the six months ended June 30, 2014 included in this Offering Memorandum. The income statement information in respect of the Capquest Group covering the six-month period ended June 30, 2014 (***Six-Month Data***) has been compiled by adding income statement data for the three months ended June 30, 2014 derived from the unaudited condensed consolidated interim financial statements of Quest Topco Limited for the three months ended June 30, 2014, included in this Offering Memorandum, plus 25% of each line item in the income statement included in the audited financial statements of Quest Topco Limited for the year ended March 31, 2014, included in this Offering Memorandum. The *pro forma* presentation, including the Six-Month Data, is intended to be illustrative only. Management believes that for purposes of presenting the Six-Month Data, the 25% proportion of each line item is an appropriate substitute for the fourth quarter ended March 31, 2014. However, because the timing of loan portfolio purchases may be uneven during a financial year due to fluctuating supply and demand within the market, and costs incurred in relation to the servicing of such purchased loan portfolios may also be uneven, there can be no assurance that the Six-Month Data is fully representative of what actual results would have been for the six-month period represented thereby.

The effects of the Capquest Acquisition and the Offering have been preliminarily estimated and adjusted in the unaudited *pro forma* condensed combined financial information. The unaudited *pro forma* condensed combined financial information set forth below give effect to the following:

- the consummation of the proposed acquisition of the Capquest Group for an assumed total consideration of £158 million, including the repayment of the Capquest Shareholder Loan Notes, Capquest Management Loan Notes, and amounts drawn under the Capquest Term and Revolving Credit Facilities and the Lombard Financing Arrangements;
- the issuance of the Notes at an original issue discount of 2.5%; and
- the repayment of a portion of the amounts drawn under the Arrow Global Revolving Credit Facility.

The *pro forma* adjustments are preliminary and are based upon currently available information and certain assumptions, described in the accompanying notes to the unaudited *pro forma* condensed combined financial information that management believes are reasonable under the circumstances. Actual results may differ materially from the assumptions within the accompanying unaudited *pro forma* condensed combined financial information.

The unaudited *pro forma* condensed combined balance sheet as of June 30, 2014 assumes that the completion of the Capquest Acquisition and the Offering occurred on June 30, 2014. The unaudited *pro forma* condensed combined income statements for the year ended December 31, 2013 and the six months ended June 30, 2014 assume that the completion of the Capquest Acquisition occurred on January 1, 2013. The unaudited *pro forma* condensed combined financial information has not been prepared by management in accordance with the regulations of the SEC (including Rule 11-02 of Regulation S-X of the SEC) or any other regulations (including the Prospectus Directive) or generally accepted accounting standards and is not necessarily indicative of the condensed consolidated balance sheet or income statement that would have been realized had the Capquest Acquisition occurred as of the dates indicated, nor is it meant to be indicative of any anticipated condensed consolidated balance sheets or income statements that the combined entity will experience after the Capquest Acquisition. In addition, the accompanying unaudited *pro forma* condensed combined income statements do not include any anticipated synergies, cost savings or restructuring actions that may be achievable subsequent to the Capquest Acquisition or the impact of any non-recurring activity and one-time transaction related costs.

Neither the assumptions underlying the *pro forma* adjustments nor the resulting *pro forma* financial information have been audited or reviewed.

The unaudited *pro forma* condensed combined financial information should be read in conjunction with the accompanying notes and assumptions as well as the historical consolidated financial statements and related notes of AGGHL and the historical consolidated financial statements and related notes of Quest Topco Limited included in this Offering Memorandum and ''The Transactions,'' ''Use of Proceeds,'' ''Capitalization'' and ''Management's Discussion and Analysis of Financial Condition and Results of Operations.''

Unaudited Pro forma Condensed Combined Balance Sheet as of June 30, 2014

	Group(1) (£'000)	Capquest Group(2) (£'000)	Acquisition Adjustments (£'000)	Offering Adjustments (£'000)	Combined Group *pro forma* (£'000)
Assets					
Non-current assets					
Purchased loan portfolios	279,704	83,286	—	—	362,990
Intangible assets	3,128	30,722	13,983(3)	—	47,833
Property, plant and equipment	245	4,846	—	—	5,091
Loan notes	1,781	—	—	—	1,781
Deferred tax asset	16	409	—	—	425
Total non-current assets	**284,874**	**119,263**	**13,983**	**—**	**418,120**
Current assets					
Cash and cash equivalents	17,130	9,814	(173,214)(4)	151,270(10)	5,000
Purchased loan portfolios	73,062	26,894	—	—	99,956
Other current assets	14,288	3,012	(15)(5)	—	17,285
Total current assets	**104,480**	**39,720**	**(173,229)**	**151,270**	**122,241**
Total assets	**389,354**	**158,983**	**(159,246)**	**151,270**	**540,361**
Equity					
Share capital	16	31	(31)(6)	—	16
Share premium	30,523	6,235	(6,235)(6)	—	30,523
Retained earnings	36,704	(38,373)	32,973(6)	—	31,304
Dividends on preference shares	—	2,159	(2,159)(7)	—	—
Other reserves	(437)	—	—	—	(437)
Total equity attributable to shareholder	**66,806**	**(29,948)**	**24,548**	**—**	**61,406**
Liabilities					
Non-current liabilities					
Senior secured notes	212,587	—	—	170,506(10)	383,093
Loans	—	17,607	(17,607)(8)	—	—
Unsecured loan notes	—	94,354	(94,354)(8)	—	—
Deferred tax liability	2,435	—	—	—	2,435
Derivative liabilities	—	206	—	—	206
Total non-current liabilities	**215,022**	**112,167**	**(111,961)**	**170,506**	**385,734**
Current liabilities					
Trade and other payables	71,616	6,941	(2,010)(4)	—	76,547
Loans	—	42,659	(42,659)(8)	—	—
Interest on unsecured loan notes	—	27,164	(27,164)(9)	—	—
Revolving credit facility	26,946	—	—	(19,236)(11)	7,710
Current tax liability	3,260	—	—	—	3,260
Senior secured notes	5,704	—	—	—	5,704
Total current liabilities	**107,526**	**76,764**	**(71,833)**	**(19,236)**	**93,221**
Total liabilities	**322,548**	**188,931**	**(183,794)**	**151,270**	**478,955**
Total equity and liabilities	**389,354**	**158,983**	**(159,246)**	**151,270**	**540,361**

(1) The consolidated assets, liabilities and equity of the Group have been extracted without material adjustment from the consolidated balance sheet of AGGHL as of June 30, 2014, as set out in the consolidated interim financial statements of AGGHL included elsewhere in this Offering Memorandum.

(2) The consolidated assets, liabilities and equity of the Capquest Group have been extracted without material adjustment from the consolidated IFRS balance sheet of Quest Topco Limited as of June 30, 2014, as set out in the consolidated interim financial statements of Quest Topco Limited included elsewhere in this Offering Memorandum.

(3) Reflects the reversal of the Capquest Group's goodwill of £25.1 million and the creation of goodwill on consolidation of £39.1 million. The £39.1 million goodwill upon consolidation is based on the price paid for the acquisition of Quest Topco Limited less its net assets at the date of the Capquest Acquisition following the repayment of outstanding indebtedness of the Capquest Group and related interest as discussed in notes (8) and (9) below. A fair value assessment of the assets and liabilities acquired, including a valuation of the intangible assets, as required by IFRS 3 (Revised) has not yet been performed but will be prepared for inclusion in the consolidated financial statements of AGGHL for the year ending December 31, 2014. Management believes that such an exercise will not result in any significant adjustments to the book value of the Capquest Group's tangible assets and liabilities, but expects that a significant element of the purchase price will be allocated to intangible assets that will be amortized over their relevant useful economic lives. Any excess of the consideration over the fair value of the assets acquired will be allocated to goodwill.

(4) Reflects the consideration payable for the Capquest Acquisition (including the payment of existing indebtedness of the Capquest Group), estimated fees and expenses related to the Capquest Acquisition and the reversal of the cash and cash equivalents of the Capquest Group, as shown in the table below.

	June 30, 2014 (£'000)
Capquest Acquisition purchase price	(158,000)
Estimated fees and expenses related to the Capquest Acquisition	(5,400)
Reversal of cash and cash equivalents of the Capquest Group[a]	(9,814)
Total	**(173,214)**

(a) £2.0 million of the Capquest Group's cash and cash equivalents comprise client money held by the Capquest Group. The reversal of the corresponding £2.0 million of client money is recognized in trade and other payables.

(5) Reflects the repayment of loans advanced by Appleby Trust (Jersey) Limited, the entity that holds legal title to shares of Quest Topco Limited held by management.

(6) Reflects the reversal of the Capquest Group's acquisition equity and reserves on consolidation (£39.1 million), and the estimated fees and expenses related to the Capquest Acquisition recognized in retained earnings (£5.4 million).

(7) Reflects the reversal of dividends on preference shares of £2.2 million in connection with the Capquest Acquisition. See notes 5, 12 and 14 of the Capquest Group's interim financial information for the three months ended June 30, 2013 and June 30, 2014 for further details on the preference shares.

(8) Reflects the repayment of outstanding indebtedness of the Capquest Group in connection with the Capquest Acquisition. As of June 30, 2014, the Capquest Group's outstanding indebtedness consisted of amounts outstanding under the Capquest Shareholder Loan Notes (£88.4 million), the revolving credit facility component of the Capquest Term and Revolving Credit Facilities (£42.7 million), the term loan component of the Capquest Term and Revolving Credit Facilities (£16.1 million), the Capquest Management Loan Notes (£5.9 million) and the Lombard Financing Arrangements (£1.6 million). Actual amounts paid for the Capquest Acquisition may vary in accordance with the terms of the Capquest Acquisition Agreement. See ''The Transactions—Capquest Acquisition—Capquest Acquisition Agreement'' and ''Summary—Current Trading—Capquest Group.'' In connection with the repayment of the existing indebtedness of the Capquest Group, the Capquest Group's outstanding hedging arrangements are also expected to be terminated. See ''Use of Proceeds'' for further information.

(9) Reflects the reversal of interest on the Capquest Shareholder Loan Notes (£25.2 million) and the Capquest Management Loan Notes £2.9 million in connection with the Capquest Acquisition. See ''Business of the Capquest Group—Financial Profile and Performance—Liquidity and capital resources—Borrowings,'' as well as notes 13 and 14 of the Capquest Group's interim financial information for the three months ended June 30, 2013 and June 30, 2014, for further details on the Capquest Shareholder Loan Notes and the Capquest Management Loan Notes.

(10) Reflects the offering of the Notes hereby, less estimated fees and expenses in connection with the Offering that will be capitalized over the term of the Notes and the partial repayment of amounts drawn under the Arrow Global Revolving Credit Facility, as set forth in the following table:

	June 30, 2014 £'000
Issuance of Notes[a]	180,101
Estimated fees and expenses related to the Offering[b]	(5,092)
Original issue discount[c]	(4,503)
Repayment of a portion of amounts drawn under the Arrow Global Revolving Credit Facility[d]	(19,236)
	151,270

(a) This amount corresponds to €225.0 million of the aggregate principal amount of the Notes offered hereby and converted to pounds sterling at the rate of €1.2493 per £1.00, the Bloomberg Composite Rate on June 30, 2014. 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 euro at the rate indicated or at any other rate. The exchange rate at which the proceeds of this Offering will be converted into pounds sterling may be materially different. See ''Exchange Rate Information.''

(b) Including fees and commissions payable to the Initial Purchasers and other transaction costs and professional fees.

(c) This represents 2.5% of the aggregate principal amount of the Notes, converted to pounds sterling at the rate of €1.2493 per £1.00, the Bloomberg Composite Rate on June 30, 2014.

(d) This represents the partial repayment of amounts drawn under the Arrow Global Revolving Credit Facility as discussed in note (11) below.

(11) Reflects the repayment of £19.2 million of the £26.9 million drawn under the Arrow Global Revolving Credit Facility as of June 30, 2014, using a portion of the net proceeds of the offering of the Notes and cash on hand.

No adjustments have been made to reflect the trading results of the combined group since June 30, 2014 or any other change in the financial position of the Group and the Capquest Group since June 30,

2014. As set out in note 14 of the interim financial information of the Capquest Group for the six months ended June 30, 2013 and June 30, 2014, on July 3, 2014, all of the accrued interest on the Capquest Shareholder Loan Notes, the Capquest Management Loan Notes and the preference shares were converted into ordinary equity shares of Quest Topco Limited using their valuation as of June 30, 2014. As of October 28, 2014, Quest Topco Limited's share capital and share premium was approximately £35.6 million (compared to £6.3 million as of June 30, 2014) as a result of this conversion. As of October 28, 2014, the amounts outstanding under ''Other loans'' of the Capquest Group were approximately £8.9 million (compared to £1.6 million as of June 30, 2014), reflecting an increase in amounts outstanding under the Lombard Financing Arrangements and an additional £5.3 million loan provided by Quest Holdings B.V. No adjustment has been made for these post-balance sheet events.

Unaudited Pro forma Combined Income Statement for the Year Ended December 31, 2013

	Group[(1)] (£'000)	Capquest Group[(2)] (£'000)	Acquisition adjustments (£'000)	Offering Adjustments (£'000)	Combined Group *pro forma* (£'000)
Revenue					
Income from purchased loan portfolios	87,330	30,420	—	—	117,750
Portfolio write-up	4,843	8,904	—	—	13,747
Portfolio impairment	—	(11,654)	—	—	(11,654)
Profit on portfolio and loan note sales	1,132	—	—	—	1,132
Income from asset management	1,392	4,799	—	—	6,191
Total revenue	**94,697**	**32,469**	**—**	**—**	**127,166**
Operating expenses					
Collection Activity Costs	(27,994)	(17,060)	—	—	(45,054)
Professional fees and services	(1,721)	(1,601)	—	—	(3,322)
Other operating expenses	(20,578)	(14,391)	—	—	(34,969)
Total operating expenses	**(50,293)**	**(33,052)**	**—**	**—**	**(83,345)**
Operating profit/(loss)	**44,404**	**(583)**	**—**	**—**	**43,821**
Finance income and costs	(24,230)	(17,023)	17,023[(3)]	(10,728)[(4)]	(34,958)
Profit/(loss) before tax	**20,174**	**(17,606)**	**17,023**	**(10,728)**	**8,863**
Taxation charge on ordinary activities	(5,663)	59	—	2,494[(5)]	(3,110)
Profit/(loss) for the period attributable to the equity shareholder	**14,511**	**(17,547)**	**17,023**	**(8,234)**	**5,753**

(1) The financial information for the Group has been extracted without material adjustment from the consolidated statement of comprehensive income of AGGHL for the year ended December 31, 2013, included elsewhere in this Offering Memorandum.

(2) The financial information for the Capquest Group has been extracted without material adjustment from the consolidated statement of comprehensive income of Quest Topco Limited for the year ended March 31, 2014, included elsewhere in this Offering Memorandum.

(3) Reflects the reversal of the Capquest Group's finance income and costs as a result of the repayment of amounts outstanding under, and the termination of, the Capquest Term and Revolving Credit Facilities, the Capquest Shareholder Loan Notes and the Capquest Management Loan Notes.

(4) Reflects interest expense in relation to the Notes (at a rate of three-month EURIBOR plus 5.25%) and the amortization of such interest expense over a seven-year period.

(5) Reflects the tax impact of the adjustment to finance income and costs at the rate of 23.25% for the Group and 23.0% for the Capquest Group.

No adjustments have been made to reflect the trading results of the combined group since December 31, 2013 (in the case of the Group) and March 31, 2014 (in the case of the Capquest Group) or any other change in the results of operations of the Group and the Capquest Group since December 31, 2013 and March 31, 2014, respectively. As set out in note 14 of the interim financial information of the Capquest Group for the six months ended June 30, 2013 and June 30, 2014, on July 3, 2014, all of the accrued interest on the Capquest Shareholder Loan Notes, the Capquest Management Loan Notes and the preference shares were converted into ordinary equity shares of Quest Topco Limited using their valuation as of June 30, 2014. As of October 28, 2014, Quest Topco Limited's share capital and share premium was approximately £35.6 million (compared to £6.3 million as of June 30, 2014) as a result of this conversion. As of October 28, 2014, the amounts outstanding under ''Other loans'' of the Capquest Group were approximately £8.9 million (compared to £1.6 million as of June 30, 2014), reflecting an increase in amounts outstanding under the Lombard Financing Arrangements and an additional £5.3 million loan provided by Quest Holdings B.V. No adjustment has been made for these post-balance sheet events.

Unaudited Pro forma Condensed Combined Income Statement for the Six Months Ended June 30, 2014

	Group[(1)] (£'000)	Capquest Group[(2)] (£'000)	Acquisition adjustments (£'000)	Offering Adjustments (£'000)	Combined Group *pro forma* (£'000)
Revenue					
Income from purchased loan portfolios	49,925	14,862	—	—	64,787
Portfolio write-up	—	2,243	—	—	2,243
Portfolio impairment	—	(3,653)			(3,653)
Profit on portfolio and loan note sales	504	—	—	—	504
Income from asset management	1,179	2,356	—	—	3,535
Total revenue	**51,608**	**15,808**	**—**	**—**	**67,416**
Operating expenses					
Collection Activity Costs	(15,632)	(7,959)	—	—	(23,591)
Professional fees and services	(509)	(1,148)	—	—	(1,657)
Other operating expenses	(11,261)	(6,874)	—	—	(18,135)
Total operating expenses	**(27,402)**	**(15,981)**	**—**	**—**	**(43,383)**
Operating profit/(loss)	**24,206**	**(173)**	**—**	**—**	**24,033**
Finance income and costs	(12,106)	(9,124)	9,124[(3)]	(5,355)[(4)]	(17,461)
Profit/(loss) before tax	**12,100**	**(9,297)**	**9,124**	**(5,355)**	**6,572**
Taxation charge on ordinary activities	(2,776)	15	—	1,151[(5)]	(1,610)
Profit/(loss) for the period attributable to the equity shareholder	**9,324**	**(9,282)**	9,124	**(4,204)**	**4,962**

(1) The financial information for the group has been extracted without material adjustment from the consolidated statement of comprehensive income of AGGHL for the six months ended June 30, 2014 included elsewhere in this Offering Memorandum.

(2) The financial information of the Capquest Group for the six months ended June 30, 2014 has been derived by adding the consolidated statement of comprehensive income data of Quest Topco Limited for the three months ended June 30, 2014 (which is included elsewhere in this Offering Memorandum) and the three months ended March 31, 2014. See ''—Basis of Preparation.''

(3) Reflects the reversal of the Capquest Group's finance income and costs as a result of the repayment of amounts outstanding under, and the termination of, the Capquest Term and Revolving Credit Facilities, the Capquest Shareholder Loan Notes and the Capquest Management Loan Notes.

(4) Reflects interest expense in relation to the Notes (at a rate of three-month EURIBOR plus 5.25%) and the amortization of such interest expense over a seven-year period.

(5) Reflects the tax impact of the adjustment to finance income and costs at the rate of 21.5% for the Group and 21.0% for the Capquest Group.

No adjustments have been made to reflect the trading results of the combined group since June 30, 2014 or any other change in the results of operations of the Group and the Capquest Group since June 30, 2014. As set out in note 14 of the interim financial information of the Capquest Group for the six months ended June 30, 2013 and June 30, 2014, on July 3, 2014, all of the accrued interest on the Capquest Shareholder Loan Notes, the Capquest Management Loan Notes and the preference shares were converted into ordinary equity shares of Quest Topco Limited using their valuation as of June 30, 2014. As of October 28, 2014, Quest Topco Limited's share capital and share premium was approximately £35.6 million (compared to £6.3 million as of June 30, 2014) as a result of this conversion. As of October 28, 2014, the amounts outstanding under ''Other loans'' of the Capquest Group were approximately £8.9 million (compared to £1.6 million as of June 30, 2014), reflecting an increase in amounts outstanding under the Lombard Financing Arrangements and an additional £5.3 million loan provided by Quest Holdings B.V. No adjustment has been made for these post-balance sheet events.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

AGGHL

The following tables summarize our historical consolidated financial information as of the dates and for the periods indicated. The selected financial information as of and for the years ended December 31, 2011, 2012 and 2013, and as of and for the six months ended June 30, 2013 and 2014 has been extracted from the historical consolidated financial statements included elsewhere in this Offering Memorandum.

The following tables should be read in conjunction with the historical consolidated financial statements and ''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 of the Group

	Year ended December 31,			Six months ended June 30,	
	2011 (£'000)	**2012 (£'000)**	**2013 (£'000)**	**2013 (£'000)**	**2014 (£'000)**
Revenue					
Income from purchased loan portfolios	47,493	62,261	87,330	42,719	49,925
Portfolio write-up[(1)]	816	1,241	4,843	4,746	—
Income from asset management	1,447	1,818	1,392	719	1,179
Other income/profit/(loss) on portfolio and loan note sales[(2)]	130	520	1,132	127	504
Total revenue	**49,886**	**65,840**	**94,697**	**48,311**	**51,608**
Operating expenses					
Collection Activity Costs	(18,152)	(19,645)	(27,994)	(14,310)	(15,632)
Professional fees and services	(3,243)	(4,548)	(1,721)	(1,036)	(509)
Of which exceptional/non-recurring items[(3)(7)]	2,085	1,386	—	—	—
Professional fees and services excluding exceptional/non-recurring items[(4)(7)]	(1,158)	(3,162)	(1,721)	(1,036)	(509)
Other operating expenses	(7,150)	(10,310)	(20,578)	(8,189)	(11,261)
Of which exceptional/non-recurring items[(5)(7)]	786	493	8,421	3,314	3,430
Other operating expenses excluding exceptional/non-recurring items[(7)]	(6,364)	(9,817)	(12,157)	(4,875)	(7,831)
Total operating expenses before exceptional/ non-recurring items[(4)(7)]	**(25,674)**	**(32,624)**	**(41,872)**	**(20,221)**	**(23,972)**
Exceptional/non-recurring items[(7)]	(2,871)	(1,879)	(8,421)	(3,314)	(3,430)
Total operating expenses after exceptional/ non-recurring items[(7)]	**(28,545)**	**(34,503)**	**(50,293)**	**(23,535)**	**(27,402)**
Operating profit	**21,341**	**31,337**	**44,404**	**24,776**	**24,206**
Finance income and costs	(15,132)	(19,189)	(24,230)	(13,541)	(12,106)
Of which exceptional/non-recurring items[(6)(7)]	—	—	(3,916)	(3,916)	(143)
Finance income and costs excluding exceptional/non-recurring items[(4)(7)]	(15,132)	(19,189)	(20,314)	(9,625)	(11,963)
Profit before tax	**6,209**	**12,148**	**20,174**	**11,235**	**12,100**
Taxation charge on ordinary activities	(2,006)	(2,736)	(5,663)	(3,746)	(2,776)
Profit for the period attributable to the equity shareholder	**4,203**	**9,412**	**14,511**	**7,489**	**9,324**

(1) Portfolio write-up represents write-up and write-down adjustments (excluding provisions for impairment) arising when the carrying values of the loan portfolios are assessed with reference to the latest 84-Month Gross ERC discounted at the EIR.

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

(3) See note 10 to the 2012 consolidated financial statements for the components of exceptional/non-recurring items included under professional fees and services.

(4) The figures herein, while not presented in accordance with IFRS, are derived from our financial statements that are presented in accordance with IFRS.

(5) See note 9 to the 2012 and 2013 consolidated financial statements, and note 6 of the consolidated financial statements for the six months ended June 30, 2013 and 2014, for the components of exceptional/non-recurring items included under other operating expenses.

(6) See note 7 to the 2012 and 2013 consolidated financial statements, and note 6 of the consolidated financial statements for the six months ended June 30, 2013 and 2014 for the components of exceptional/non-recurring items included under finance income and costs.

(7) Beginning January 1, 2014, we refer to ''exceptional items'' in our consolidated income statement as ''non-recurring items.'' In each case, these items are those that are separately identified by virtue of their size and incidence to allow a full understanding of our underlying performance. There is no difference in the basis of preparation of the items referred to as ''exceptional'' or ''non-recurring.''

Consolidated Balance Sheet Data of the Group

	As of December 31,			As of June 30,
	2011 (£'000)	2012 (£'000)	2013 (£'000)	2014 (£'000)
Assets				
Non-current assets				
Purchased loan portfolios	114,883	163,079	211,787	279,704
Other non-current assets(1)	4,090	3,984	5,383	5,170
Total non-current assets	**118,973**	**167,063**	**217,170**	**284,874**
Current assets				
Cash and cash equivalents	6,440	9,610	47,443	17,130
Purchased loan portfolios	35,122	45,092	62,145	73,062
Other current assets(2)	6,048	7,187	11,675	14,288
Total current assets	**47,610**	**61,889**	**121,263**	**104,480**
Total assets	**166,583**	**228,952**	**338,433**	**389,354**
Total purchased loan portfolios	*150,005*	*208,171*	*273,932*	*352,766*
Equity				
Total equity attributable to shareholder	**3,010**	**12,555**	**57,594**	**66,806**
Liabilities				
Non-current liabilities				
Arrow Global Revolving Credit Facility/Bank loan	58,983	97,381	—	—
Shareholders' loan	91,703	106,585	—	—
2020 Notes/Senior secured notes	—	—	211,920	212,587
Other non-current liabilities(3)	1,950	2,619	2,646	2,435
Total non-current liabilities	**152,636**	**206,585**	**214,566**	**215,022**
Current liabilities				
Trade and other payables	7,697	7,728	57,823	71,616
Arrow Global Revolving Credit Facility/Revolving credit facility	—	—	—	26,946
2020 Notes/Senior secured notes	—	—	5,775	5,704
Other current liabilities(4)	3,240	2,084	2,675	3,260
Total current liabilities	**10,937**	**9,812**	**66,273**	**107,526**
Total liabilities	**163,573**	**216,397**	**280,839**	**322,548**
Total equity and liabilities	**166,583**	**228,952**	**338,433**	**389,354**

(1) Other non-current assets consist of intangible assets, property, plant and equipment, 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) Other non-current liabilities consist of deferred consideration, non-controlling interest loan and deferred tax liability, as applicable.

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

Consolidated Cash Flow Statement Data of the Group

	Year ended December 31,			Six months ended June 30,	
	2011 (£'000)	2012 (£'000)	2013 (£'000)	2013 (£'000)	2014 (£'000)
Net cash flow from operating activities before purchases of loan portfolios and loan notes	35,043	49,242	79,312	40,361	43,199
Purchases of purchased loan portfolios	(109,744)	(84,431)	(84,308)	(50,702)	(91,197)
Purchases of loan notes	—	—	(1,798)	(1,798)	—
Net cash used in operating activities	(74,701)[(1)]	(35,189)	(6,794)	(12,139)	(47,998)
Net cash used in investing activities	(1,777)[(1)]	(719)	(17,371)	(18,092)	(81)
Net cash flow generated by financing activities	78,224	39,107	62,129	30,651	17,699
Net (decrease)/increase in cash and cash equivalents	**1,746**	**3,199**	**37,964**	**420**	**(30,380)**

(1) The presentation of certain items included herein for the year ended December 31, 2011 differs from the presentation in the audited consolidated financial statements of AGGHL as of and for the year ended December 31, 2011 included elsewhere in this Offering Memorandum due to a change in classification of these items that was adopted in the audited consolidated financial statements of AGGHL as of and for the year ended December 31, 2012 and which has been applied subsequently. This change in classification was adopted in order to present these items in a manner that reflects both a fairer presentation in light of the requirements of IAS 7 ''Statement of Cash Flow'' and industry practice. This reclassification resulted in a change in the presentation of Purchases of purchased loan portfolios to be accounted for within Net cash flow from operating activities rather than within Net cash flow from investing activities as presented in the audited consolidated financial statements of AGGHL as of and for the year ended December 31, 2011, and accordingly the prior year comparatives were restated in the audited consolidated financial statements of AGGHL as of and for the year ended December 31, 2012. This resulted in a decrease in net cash flow from operating activities and an increase in net cash flow from investing activities of £109.7 million for the year ended December 31, 2011, respectively, as follows:

	Year ended December 31, 2011	
	As originally stated (£'000)	As re-presented (£'000)
Net cash flow from operating activities before purchases of loan portfolios and loan notes	35,043	35,043
Purchases of purchased loan portfolios	—	(109,744)
Net cash used in operating activities	35,043	(74,701)
Net cash used in investing activities	(111,521)	(1,777)
Net cash flow generated by financing activities	78,224	78,224
Net (decrease)/increase in cash and cash equivalents	**1,746**	**1,746**

This reclassification did not affect our consolidated balance sheet or our consolidated statement of comprehensive income for the year ended December 31, 2011, nor did it affect the net increase (decrease) in cash or cash equivalents reported for the year ended December 31, 2011. The audited consolidated financial statements of AGGHL as of and for the year ended December 31, 2011 included within this Offering Memorandum have not been amended in this regard.

Quest Topco Limited

The following tables summarize historical consolidated financial information of Quest Topco Limited as of the dates and for the periods indicated. The selected financial information as of and for the years ended March 31, 2012, 2013 and 2014 has been extracted from the consolidated historical financial statements of Quest Topco Limited included elsewhere in this Offering Memorandum. The selected financial information as of and for the three months ended June 30, 2013 and 2014 has been extracted from the unaudited interim financial information of Quest Topco Limited included elsewhere in this Offering Memorandum.

The following tables should be read in conjunction with the historical consolidated financial statements of Quest Topco Limited, ''Presentation of Financial and Other Information'' and ''Business of the Capquest Group—Financial Profile and Performance.''

Consolidated Statement of Comprehensive Income Data of the Capquest Group

	Year ended March 31,			Three months ended June 30,	
	2012 (£'000)	**2013 (£'000)**	**2014 (£'000)**	**2013 (£'000)**	**2014 (£'000)**
Revenue					
Income from purchased loan portfolios	24,995	24,680	30,420	6,733	7,257
Portfolio write-up/(down)[(1)]	(430)	2,558	8,904	2,684	17
Portfolio impairment	(2,901)	(510)	(11,654)	(1,516)	(739)
Income from asset management	10,081	7,706	4,799	1,314	1,156
Total revenue	**31,745**	**34,434**	**32,469**	**9,215**	**7,691**
Operating expenses					
Collection Activity Costs	(13,891)	(13,214)	(17,060)	(3,097)	(3,694)
Professional fees and services	(4,577)	(2,438)	(1,601)	(971)	(748)
Of which non-recurring items[(2)]	1,656	267	63	—	371
Professional fees and services excluding exceptional items[(3)]	(2,921)	(2,171)	(1,538)	(971)	(377)
Other operating expenses	(10,713)	(11,565)	(14,391)	(3,549)	(3,276)
Of which non-recurring items[(4)]	1,207	2,171	931	315	116
Other operating expenses excluding non-recurring items[(3)]	(9,506)	(9,394)	(13,460)	(3,234)	(3,160)
Total operating expenses before non-recurring items[(3)]	**(26,318)**	**(24,779)**	**(32,058)**	**(7,302)**	**(7,231)**
Non-recurring items	(2,863)	(2,438)	(994)	(315)	(487)
Total operating expenses	**(29,181)**	**(27,217)**	**(33,052)**	**(7,617)**	**(7,718)**
Operating profit/(loss)	**2,564**	**7,217**	**(583)**	**1,598**	**(27)**
Total finance income and costs	(11,316)	(13,915)	(17,023)	(3,198)	(4,868)
Loss before tax	**(8,752)**	**(6,698)**	**(17,606)**	**(1,600)**	**(4,895)**
Taxation credit on ordinary activities	1,495	574	59	12	—
Loss for the period attributable to equity shareholders	**(7,257)**	**(6,124)**	**(17,547)**	**(1,588)**	**(4,895)**

(1) Portfolio write-up represents write-up adjustments (excluding provisions for impairment) arising when the carrying values of the loan portfolios are assessed with reference to the latest 84-Month Gross ERC discounted at the EIR.

(2) See note 8 to the Capquest Group's consolidated financial statements for the years ended March 31, 2012, 2013 and 2014, and note 7 to the Capquest Group's financial statements for the quarter ended June 30, 2013 and 2014, for the components of non-recurring items included under professional fees and services.

(3) The figures herein, while not presented in accordance with IFRS, are derived from the Capquest Group's financial statements that are presented in accordance with IFRS.

(4) See note 7 to the Capquest Group's consolidated financial statements for the years ended March 31, 2012, 2013 and 2014 for the components of non-recurring items included under other operating expenses.

Consolidated Balance Sheet Data of the Capquest Group

	As of March 31,			As of June 30,
	2012 (£'000)	2013 (£'000)	2014 (£'000)	2014 (£'000)
Assets				
Non-current assets				
Intangible assets	25,285	25,348	29,568	30,722
Purchased loan portfolios	50,345	76,887	87,381	83,286
Other non-current assets(1)	756	703	5,419	5,255
Total non-current assets	**76,386**	**102,938**	**122,368**	**119,263**
Current assets				
Cash and cash equivalents	13,788	10,562	16,713	9,814
Purchased loan portfolios	17,306	25,400	28,981	26,894
Other receivables(2)	2,620	2,513	2,481	3,012
Total current assets	**33,714**	**38,475**	**48,175**	**39,720**
Total purchased loan portfolios	*67,651*	*102,287*	*116,362*	*110,180*
Total assets	**110,100**	**141,413**	**170,543**	**158,983**
Equity				
Total equity attributable to shareholders	**(2,252)**	**(8,026)**	**(25,053)**	**(29,948)**
Liabilities				
Non-current liabilities				
Loans	15,696	16,112	17,766	17,607
Unsecured loan notes	57,837	73,168	94,354	94,354
Other non-current liabilities(3)	1,128	1,208	382	206
Total non-current liabilities	**74,661**	**90,488**	**112,502**	**112,167**
Current liabilities				
Trade and other payables	5,841	5,076	12,762	6,941
Loans	27,705	41,752	46,600	42,659
Interest on unsecured loan notes	4,145	12,123	23,732	27,164
Total current liabilities	**37,691**	**58,951**	**83,094**	**76,764**
Total liabilities	**112,352**	**149,439**	**195,596**	**188,931**
Total equity and liabilities	**110,100**	**141,413**	**170,543**	**158,983**

(1) Other non-current assets consist of property, plant and equipment, and derivative asset.

(2) Other receivables consist of trade receivables, prepayments and other debtors, amounts due from parent companies, taxation and social security and current tax asset.

(3) Other non-current liabilities consist of derivative liability and deferred tax liability

Consolidated Cash Flow Statement Data of the Capquest Group

	Year ended March 31,			Three months ended June 30,	
	2012 (£'000)	2013 (£'000)	2014 (£'000)	2013 (£'000)	2014 (£'000)
Net cash flow from operating activities before purchases of loan portfolios	25,703	29,664	34,915	8,495	2,678
Purchases of loan portfolios	(24,994)	(57,168)	(40,758)	(25,369)	(2,724)
Net cash used in operating activities	709	(27,504)	(5,843)	(16,874)	(46)
Net cash used in investing activities	(7,694)	(561)	(9,457)	(1,139)	(1,285)
Net cash flow generated by/(used in) financing activities	13,019	24,839	21,451	16,891	(5,568)
Net (decrease)/increase in cash and cash equivalents	**6,034**	**(3,226)**	**6,151**	**(1,122)**	**(6,899)**

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

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the consolidated financial statements of AGGHL as of and for the years ended December 31, 2011, 2012 and 2013 and as of June 30, 2014 and for the six months ended June 30, 2013 and 2014 (collectively, the ***periods under review****) and related notes, included elsewhere in this Offering Memorandum, as well as ''Presentation of Financial and Other Information,'' ''Summary Consolidated Historical Financial and Other Data'' and ''Unaudited Pro Forma Condensed Combined Financial Information.'' The consolidated financial statements are prepared in accordance with IFRS as adopted for use in the European Union.*

This Offering Memorandum also contains consolidated financial information for AGG as of and for the year ended December 31, 2013, and as of and for the six months ended June 30, 2014. AGG was formed in August 2013 in connection with the IPO and, since October 2013, is our ultimate parent holding company. The following discussion is based on the consolidated financial statements of AGGHL rather than the consolidated financial statements of AGG. See ''—Comparison of Consolidated Financial Information of AGGHL and AGG'' for a discussion of the differences between the consolidated financial statements of AGGHL and AGG.

The following 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, particularly in ''Risk Factors'' and ''Forward-Looking Statements.''

References below to ''2011,'' ''2012'' and ''2013'' are to the financial years ended December 31, 2011, December 31, 2012 and December 31, 2013, respectively. References below to ''H1 2013'' and ''H1 2014'' are to the six months ended June 30, 2013 and June 30, 2014, respectively. 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.

Further, this section of the Offering Memorandum 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.

Overview

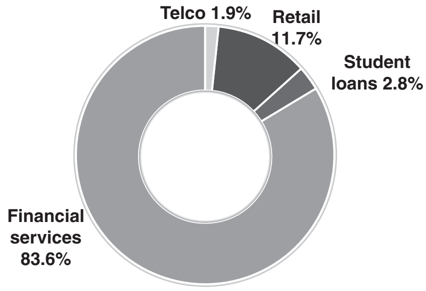
We are one of the UK's largest providers of debt purchase and receivables management solutions, measured by 120-Month Gross ERC.

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 underlying 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 £701.7 million and a 120-Month Gross ERC of £827.3 million as of June 30, 2014.

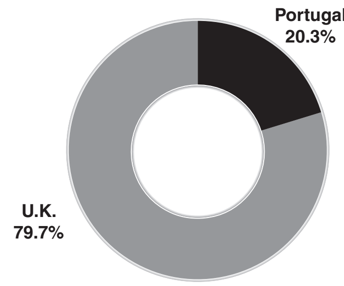
We are primarily focused on financial services loan portfolios, which provide us with stable long-term cash flows because these assets tend to have a higher average balance (relative to other segments) that are typically restructured into small, regular, annuity-like payments. In geographical terms,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

The following charts set forth a breakdown of our debt portfolios by asset class and geography as of June 30, 2014.

Portfolio by Asset Class (Purchase Cost)



Portfolio by Geography (Purchase Cost)



As of June 30, 2014, we had 5.4 million owned customer accounts and £8.3 billion (based on face value) in purchased loan portfolios and a further £2.3 billion (based on face value) in managed loan portfolios. Our Adjusted EBITDA, which we believe is representative of our operating cash generation, grew from £44.3 million in 2011 to £89.6 million in 2013, and was £48.5 million in H1 2014 compared to £43.4 million in H1 2013. Our total revenue grew from £49.9 million in 2011 to £94.7 million in 2013, and was £51.6 million in H1 2014 compared to £48.3 million in H1 2013. Our profit attributable to the equity shareholder grew from £4.2 million in 2011 to £24.4 million in 2013, and was £9.3 million in H1 2014 compared to £7.5 million in H1 2013.

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 £9.4 million (which was the average price that we paid for every £100 million in face value of loan portfolio purchases in H1 2014). The example is based on our loan portfolio purchases from H1 2014 only.

On the basis of a Collection Cost Ratio of 22.0% over 84 months and 120 months (which is not typical of all of our purchased loan portfolios and which may be higher than 22% going forward), our cumulative Net Core Collections would equal the purchase price of the loan portfolio in month 41 after purchase. See ''—Significant Factors Affecting Results of Operations—Collection Activity Costs and operational efficiency.'' Our Net Core Collections over the 84-month period would equal £14.1 million, and Net Core Collections over the 120-month period would equal £17.2 million, with collections remaining beyond 120 months.

Example of our business model economics

	84 months	120 months
	(£m, except as otherwise indicated)	
Face value of purchased loan portfolio	100	100
Price paid for the loan portfolio	9.4	9.4
Core Collections(1)	18.2	22.2
Gross Cash-on-Cash Multiple(2)	**1.9x**	**2.4x**
Months to break-even on investment (before consideration of costs)	30 months	30 months
Collection Cost Ratio(3)	**22.0%**	**22.0%**
Net Core Collections(4)	14.1	17.2
Net Cash-on-Cash Multiple(5)	**1.5x**	**1.8x**
Months to break-even on investment	41 months	41 months

(1) Represents actual collections from the date of purchase to June 30, 2014 on our portfolios purchased in H1 2014 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 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 22.0% that we assume for purposes of the example above applied to our H1 2014 purchase vintage only, 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 H1 2014 purchase vintage at June 30, 2014, 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 H1 2014, 2013, 2012 and 2011 was 22.6%, 21.9%, 22.1%, and 26.6%, 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.'' and ''Risk Factors—Risks Relating to Our Business—The statistical models and analytical tools we use in our business, including in our calculation of ERC, may prove to be inaccurate and we may not achieve anticipated recoveries.''

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 June 30, 2014, we estimate, on the assumption that portfolios are purchased at our target Gross Cash-on-Cash Multiple, that annual portfolio purchases of approximately £50 million 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). This assumes that loan portfolios are purchased at our target Gross Cash-on-Cash Multiples and Net IRRs.

In H1 2014, we generated net cash flow from operating activities before purchases of loan portfolios and loan notes of £43.2 million from Core Collections of £69.3 million. With £145.5 million of our Gross ERC expected to be collected in the 12 months beginning July 1, 2014 (see ''—Purchased Loan Portfolios, Return on Purchased Loan Portfolios and Adjusted EBITDA—Purchased loan portfolios''), and 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.

Comparison of Consolidated Financial Information of AGGHL and AGG

We have included in this Offering Memorandum consolidated financial information for AGG as of and for the year ended December 31, 2013 and the six months ended June 30, 2014. AGG was formed in August 2013 in connection with the IPO and, since October 2013, has been the parent holding company of the Arrow Global Group.

We have included consolidated financial information of AGG because, as a listed company, AGG in the ordinary course publishes consolidated financial and information and because the reporting covenant in the Indenture provides us the flexibility to provide annual and quarterly consolidated financial statements for AGG in lieu of annual and quarterly consolidated financial statements for AGGHL, together with description of the differences between the two sets of financial statements.

The following tables set forth financial information for AGG, and a reconciliation to comparable financial information for AGGHL, for the periods and at the dates indicated.

	Year ended December 31, 2013			Six months ended June 30, 2014		
	Arrow Global Group PLC (£'000)	Adjustments (£'000)	AGGHL (£'000)	Arrow Global Group PLC (£'000)	Adjustments (£'000)	AGGHL (£'000)
Revenue						
Income from purchased loan portfolios	87,330	—	87,330	49,925	—	49,925
Portfolio write-up	4,843	—	4,843	—	—	—
Income from asset management	1,392	—	1,392	1,179	—	1,179
Other income/profit/(loss) on portfolio and loan note sales	1,132	—	1,132	504	—	504
Total revenue	**94,697**	**—**	**94,697**	**51,608**	**—**	**51,608**
Operating expenses						
Collection Activity Costs	(27,994)	—	(27,994)	(15,630)	(2)	(15,632)
Professional fees and services	(1,733)	12[(1)]	(1,721)	(797)	288[(1)]	(509)
Other operating expenses	(20,759)	181[(1)]	(20,578)	(11,547)	286[(1)]	(11,261)
Of which exceptional/ non-recurring items	8,600	(179)[(1)]	8,421	3,430	—	3,430
Other operating expenses excluding exceptional/ non-recurring items	(12,159)	2[(1)]	(12,157)	(8,117)	286[(1)]	(7,831)
Total operating expenses before exceptional/ non-recurring items	**(41,886)**	**14**	**(41,872)**	**(24,544)**	**572**	**(23,972)**
Exceptional/non-recurring items	(8,600)	179	(8,421)	(3,430)	—	(3,430)
Total operating expenses after exceptional/non-recurring items	**(50,486)**	**193**	**(50,293)**	**(27,974)**	**572**	**(27,402)**
Operating profit	**44,211**	**193**	**44,404**	**23,634**	**572**	**24,206**
Finance income and costs	(23,218)	(1,012)[(2)]	(24,230)	(10,061)	(2,045)[(2)]	(12,106)
Of which exceptional/ non-recurring items	(3,916)	—	3,916	143	—	143
Finance income and costs excluding exceptional/ non-recurring items	(19,302)	(1,012)[(2)]	(20,314)	(9,918)	(2,045)[(2)]	(11,963)
Profit before tax	**20,993**	**(819)**	**20,174**	**13,573**	**(1,473)**	**12,100**
Taxation charge on ordinary activities	(5,882)	219	(5,663)	(3,113)	337	(2,776)
Profit for the period attributable to equity shareholders	**15,111**	**600**	**14,511**	**10,460**	**(1,136)**	**9,324**

(1) Reflects expenses of AGG.

(2) Reflects interest charged on intercompany loans (including the 2013 Shareholder Loan) between AGG and Arrow Global Limited.

	December 31, 2013			June 30, 2014		
	Arrow Global Group PLC (£'000)	Adjustments (£'000)	AGGHL (£'000)	Arrow Global Group PLC (£'000)	Adjustments (£'000)	AGGHL (£'000)
Assets						
Non-current assets						
Purchased loan portfolios	211,787	—	211,787	279,704	—	279,704
Other non-current assets	5,383	—	5,383	5,196	(26)(1)	5,170
Total non-current assets	**217,170**	**—**	**217,170**	**284,900**	**(26)**	**284,874**
Current assets						
Cash and cash equivalents(1)	47,520	(77)(1)	47,443	17,147	(17)(1)	17,130
Purchased loan portfolios	62,145	—	62,145	73,062	—	73,062
Other current assets	11,675	(26)(1)	11,675	14,460	(172)(1)	14,288
Total current assets	**121,366**	**(103)**	**121,263**	**104,669**	**(189)**	**104,480**
Total assets	**338,536**	**(103)**	**338,433**	**389,569**	**(215)**	**389,354**
Total purchased loan portfolios	273,932	—	273,932	352,766	—	352,766
Equity						
Total equity attributable to shareholders	**105,173**	**(47,579)**	**57,594**	**116,641**	**(49,835)**	**66,806**
Liabilities						
Non-current liabilities						
2020 Notes/Senior secured notes	211,920	—	211,920	212,587	—	212,587
Other non-current liabilities	2,646	—	2,646	2,435	—	2,435
Total non-current liabilities	**214,566**	**—**	**214,566**	**215,022**	**—**	**215,022**
Current liabilities						
Other current liabilities	13,022	47,476(2)	60,498	25,256	49,620(2)	74,876
Revolving Credit Facility	—	—	—	26,946	—	26,946
2020 Notes/Senior secured notes	5,775	—	5,775	5,704	—	5,704
Total current liabilities	**18,797**	**47,476**	**66,273**	**57,906**	**49,620**	**107,526**
Total liabilities	**233,363**	**47,476**	**280,839**	**272,928**	**49,620**	**322,548**
Total equity and liabilities	**338,536**	**(103)**	**338,433**	**389,569**	**(215)**	**389,354**

(1) Reflects the cash balance of AGG held to fund parent company expenses.

(2) Reflects the 2013 Shareholder Loan and intercompany interest accruing on share-based transaction payments from Arrow Global Limited to AGG.

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.

Loan portfolio purchases

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 loan portfolio purchases 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.

As of June 30, 2014, we had acquired 126 purchased loan portfolios with an aggregate face value of £8.3 billion, comprising approximately 5.4 million purchased accounts. As of June 30, 2014, we had an 84-Month Gross ERC of £701.7 million and a 120-Month Gross ERC of £827.3 million. The resulting balance sheet carrying value of the purchased loan portfolios under IFRS amounted to £352.8 million as of June 30, 2014.

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.

Over time, the price paid as a percentage of the face value of our loan portfolios has increased as we have directed our loan portfolio purchases towards portfolios with a higher proportion of Paying Accounts.

	Vintage(1)			
	2011	2012	2013	H1 2014
Portfolio purchases—costs (*£m*)	110.2	83.9	101.3(2)	99.3
Face value (*£m*)	2,371.6	924.1	1,370.4	1,053.1
Price paid for Paying Accounts as % of face value	18.5%	17.2%	23.9%	29.9%
Price paid for non-Paying Accounts as % of face value	1.2%	3.0%	2.3%	7.0%
Total price paid as % of face value	4.6%	9.1%	7.4%	9.4%

(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.

(2) Includes £0.5 million of student loan investments held as loan notes.

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 June 30, 2014 since our inception.

Country	Number of loan portfolios	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	106	4,942	90.8	6,465.9	77.9	373.2	79.7	5.8	1,308	518.2	73.8	600.2	72.5
Portugal	20	504	9.3	1,829.3	22.1	94.9	20.3	5.2	3,630	183.5	26.2	227.1	27.5
Total	**126**	**5,446**	**100.0**	**8,295.2**	**100.0**	**468.1**	**100.0**	**5.6**	**1,523**	**701.7**	**100.0**	**827.3**	**100.0**

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. We believe we have one of the lowest rates of complaints referred to the FOS in our industry, with an average of 16 FOS filed complaints received by us and our DCAs per one million accounts during the 12 months ended June 30, 2014. Furthermore, during H1 2014, 29 complaint decisions were received from FOS, and of these, only nine were not upheld in our favor. In addition, we have implemented a ''three lines of defense'' risk management framework, supported by the CRO, the Board of AGG 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 June 30, 2014, we had purchased loan portfolios from 67 Debt Sellers, and approximately 59% of our loan portfolio purchases in H1 2014 were from Debt Sellers from whom we had purchased previously. Our relationships with Debt Sellers have enabled us to purchase 61% by number (51% by purchase price) of loan portfolios outside tendering processes from January 1, 2012 to June 30, 2014.

  The top 10 originators of the loan portfolios that we owned as of June 30, 2014 (regardless of the Debt Sellers that ultimately sold such loan portfolios to us) accounted for 74% (by purchase price) of our loan portfolios during the periods under review with the top two originators accounting for 34%.

- *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 it 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 bureau, 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 to 17.5 million records through the PCB (which includes approximately 5.4 million purchased accounts in our own database), 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 will continue 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. We also expect additional purchase opportunities to arise relating to loan portfolios that the Capquest Group is currently managing on behalf of other Debt Sellers.

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 our credit facility providers, enabling us to fund additional loan portfolio purchases. In addition, in January 2013, we successfully accessed the debt capital markets through our issuance of the 2020 Notes and, in October 2013, successfully accessed the equity markets through the IPO. 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.''

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 our financial statements.

We benefit from what we believe is a predictable and diversified collection base. Our Existing Portfolio produced Core Collections of £127.8 million in 2013 and £69.3 million in H1 2014. The majority of our collection base is primarily driven by small, regular, annuity-like payments (with average monthly payment received of £23.45 for the three months ended June 30, 2014) from approximately 450,000 individual customers. The face value of these accounts was £1.1 billion at June 30, 2014. This represented 1.3 times our 120-Month Gross ERC as of June 30, 2014.

Our primary source of cash flow is the proceeds received from customer accounts in our purchased loan portfolios. Using data analytics to determine the most efficient, effective and regulation-compliant collection strategy, we place accounts with DCAs. During the periods under review, 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 12 DCAs (nine in the UK and three in Portugal), and up to six additional litigation services and two specialist DCAs. As a result of the Capquest Acquisition, we expect to accelerate the DCA panel rationalization process to result in a core group of strategic DCA partners.

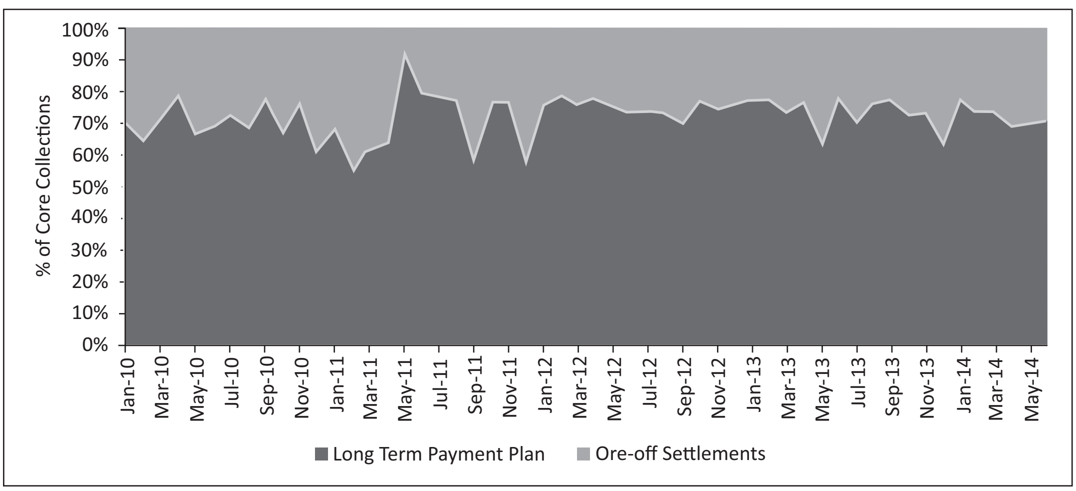
Our top 10 DCAs collected approximately 60% of our Core Collections in H1 2014 (compared to 58.2% in 2011). Our top DCA, which accounted for 17.6% of our Core Collections in 2012, was purchased by one of our competitors in 2013. We have completed the recall and reallocation of a large portion of accounts from the DCA.

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.
- Settlements: settlements 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.



For loan portfolios purchased in the UK, as of June 30, 2014, 75% of our Core Collections are derived from long-term payment plans with small, regular, annuity-like payment arrangements and the remaining 25% are on settlement arrangements, which can include a discount to the face amount of the loan outstanding. Our average monthly payment received during the three months ended June 30, 2014 for our UK loan portfolios was £21.24 (three months ended December 31, 2013: £21.23; three months ended December 31, 2012: £23.46), mostly through regular payment methods such as direct debit. In comparison, our average monthly payment received during the three months ended June 30, 2014 for our Portuguese loan portfolios was £98.33 (three months ended December 31, 2013: £97.02; three months ended December 31, 2012: £132.18), reflecting a higher proportion of settlements.

From the year ended December 31, 2011 to the year ended December 31, 2013, we grew our total Core Collections from £68.2 million to £127.8 million, as a result of acquisitions of portfolios and improving our data analytics. For H1 2014, our Core Collections were £69.3 million, reflecting a 10.9% increase over Core Collections of £62.5 million in H1 2013, with the increase being driven by purchases during the last 12 months 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 ERC forecasting model. The 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 ERC.

We place accounts 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 arrears 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 debts. 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 settlements.

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 eight million records per month in 2011 to 17 million per month in the 12 months ended June 30, 2014. 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 9.8 million per month in 2014. We have also imported 7.6 million new telephone numbers in the 12 months ended June 30, 2014, compared with approximately 2.9 million in 2011. 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. In H1 2014, 65% of our Core Collections was generated from High Value Accounts, compared to 65% in H1 2013, 65% in 2013, 63% in 2012 and 27% in 2011. 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, 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, 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 ERC.

Revenue recognition

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)	32.4%
Effective Interest Rate (EIR)(4)	32.4%
Income from purchased loan portfolios(5)	**2.4**
Core Collections(6)	3.3
Amortization of purchased loan portfolios(7)	(0.9)
Purchased loan portfolios at the end of the month(8)	**99.1**

(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 ERC model.

Other sources of revenue

We have entered into seven asset management transactions since 2011, under which we manage loan portfolios that are owned by third parties. While we do not regard asset management activities as a core activity, we believe that they provide us the opportunity 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. 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 had 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. In 2011, we recognized interest income from such secured loan notes using the EIR method.

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.

	2011 (£'000)	2012 (£'000)	2013 (£'000)	H1 2013 (£'000)	H1 2014 (£'000)
Core Collections/Collections in the period[2]	68,248	88,720	127,840	62,509	69,265
Portfolio amortization	(20,755)	(26,459)	(40,510)	(19,790)	(19,340)
Income from purchased loan portfolios	**47,493**	**62,261**	**87,330**	**42,719**	**49,925**
Portfolio write-up	816	1,241	4,843	4,746	—
Income from asset management	1,447	1,818	1,392	719	1,179
Other income/profit/(loss) on portfolio and loan note sales[1]	130	520	1,132	127	504
Total revenue	**49,886**	**65,840**	**94,697**	**48,311**	**51,608**

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

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

During the periods under review, income from purchased loan portfolios varied between 68.3% and 72.1% of Core Collections.

	2011 %	2012 %	2013 %	H1 2013 %	H1 2014 %
Portfolio amortization + portfolio write-up as a % of Core Collections/Collections in the period[2]	29.2	28.4	27.9	24.1[1]	27.9
Income from purchased loan portfolios as a % of Core Collections/Collections in the period[2]	69.6	70.2	68.3	68.3	72.1

(1) The reduced percentage in H1 2013 reflects the strong performance of purchased loan portfolios of the 2011 vintage and purchases in Portugal. We do not believe that these percentages are indicative of the portfolio amortization and portfolio write-up for the business.

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

Collection Activity Costs and operational efficiency

Operational efficiency is key to our business 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 67% of our cost base in H1 2014 was variable (H1 2013: 73%; 2013: 70%, 2012: 71%; and 2011: 75%). 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. Because they are primarily driven by collections in a certain period, Collection Activity Costs in a period are largely variable and mainly comprise fees to our DCA network. Commission rates to be paid to the DCAs are set at the point of placement and are largely contingent on collections. We are considering various alternative commission 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.

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 credit bureau costs and legal costs associated with collections.

Collection Activity Costs have increased year-on-year as they are driven by Core Collections. However, our Collection Cost Ratio decreased from 26.6% in 2011 to 22.6% in H1 2014 as set forth in the table below.

	2011 (£'000)	2012 (£'000)	2013 (£'000)	H1 2013 (£'000)	H1 2014 (£'000)
Core Collections/Collections in the period[(1)]	68,248	88,720	127,840	62,509	69,265
DCA commissions	14,463	14,564	21,075	10,557	12,045
Other collection costs	3,689	5,081	6,919	3,753	3,586
Collection Activity Costs[(2)]	18,152	19,645	27,994	14,310	15,632
Collection Cost Ratio[(3)]	26.6	22.1	21.9	22.9	22.6

(1) Presented as ''Collections in the period'' in our consolidated financial statements. See ''Presentation of Financial and Other Information—Financial Information for the 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, credit bureau data costs and legal costs associated with collections.

(3) Collection Cost Ratio is the ratio of Collection Activity Costs to Core Collections.

We believe that the improvement in our Collection Cost Ratio during the periods under review has been driven by (a) 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 largely contingent outsourced collection model, which allows 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).

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 this period, 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.

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—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 in substantial losses.'') 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 UK or Portugal or an increasing volume of legislation may materially and adversely affect the debt purchase and collection industry and impede our business.'' 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.

Acquisitions

Capquest Acquisition. On September 23, 2014, we entered into the Capquest Acquisition Agreement to acquire the entire issued share capital of Quest Topco Limited. The completion of the Capquest Acquisition is subject to satisfaction of certain conditions. See ''The Transactions—Capquest Acquisition—Capquest Acquisition Agreement'' and ''Risk Factors—Risks Relating to the Capquest Acquisition—The Capquest Acquisition is subject to conditions, and in the event it is not consummated, the Notes will be redeemed.''

As of June 30, 2014, the Capquest Group had third-party indebtedness outstanding under the Capquest Term and Revolving Credit Facilities and the Lombard Financing Arrangements. In addition, as of June 30, 2014, it had shareholder funding outstanding in the form of the Capquest Shareholder Loan Notes and management loans outstanding in the form of the Capquest Management Loan Notes. We expect to repay all of this indebtedness of the Capquest Group and terminate the facilities on or shortly after the Capquest Acquisition Completion Date.

The Capquest Acquisition will increase our total revenues, as well as operating expenses. We also expect to generate run-rate synergies and cost savings of £6.5 million on an annual basis commencing 2016, in connection with the integration of the business of the Capquest Group following the Capquest Acquisition. See ''The Transactions—Capquest Acquisition—Rationale for the Capquest Acquisition.'' From a balance sheet perspective, the Capquest Acquisition will increase our purchased loan portfolios (and, therefore, total assets) and our total liabilities (owing to the indebtedness being incurred to, among other things, finance the Capquest Acquisition).

AGAML acquisition. On February 28, 2013, we acquired for £18.9 million in cash 100% of an entity that was formerly part of the group of one of our DCA partners. The entity owned loan portfolios with a face value of approximately £670 million. In order to purchase these portfolios, we were required to purchase the share capital of the entity by way of a share sale, rather than purchasing the relevant portfolios directly.

Upon acquisition, we renamed the entity as Arrow Global Accounts Management Limited (AGAML). The consideration paid for the acquisition was allocated to the fair value of AGAML's net assets, which primarily related to its portfolio assets recognized at fair value. Following the restatement of the portfolio assets from UK GAAP to IFRS, a deferred tax liability was recognized, reducing net assets by £2.3 million. The corresponding increase in goodwill was then subject to an impairment assessment and was immediately impaired (and recognized as an non-recurring cost in the other operating expenses line), as the cash consideration was primarily supported by the portfolio assets and did not support the increased level of goodwill. The fair value of the assets less costs to dispose was also considered to be insufficient to support the increased level of goodwill.

AGAML is one of the Subsidiary Guarantors.

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 is to be paid in two tranches, with 50% paid in March 2014, and 50% payable in March 2015. Distributions of £1.1 million made to Cerberus in relation to January and February 2014 collections were deducted from the first instalment, resulting in an initial consideration of £9.1 million and a further payment of £10.2 million due in March 2015.

CarVal asset management arrangement. In May 2011, CarVal 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 million of face value in March 2014 for £4.7 million. This purchase reduced our fees from asset management activities, and increased our total purchased loan portfolios.

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. For example, during H1 2014, we acquired loan portfolios of £99.3 million, and do not currently expect to acquire a similar amount of loan portfolios in the second half of 2014. 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.''

Significant Factors Affecting Interim Results of Operations

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 point of purchase. Subsequently, our proprietary 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 (a) the growing volume of loan portfolios we has been able to purchase, (b) our pricing discipline, (c) our cost model and (d) 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 June 30, 2014.

Vintage(1)	84-Month Gross ERC	120-Month Gross ERC
	(£m)	(£m)
Pre-2010	46.8	52.9
2010	43.7	49.0
2011	162.0	183.9
2012	123.7	142.2
2013	149.1	180.7
H1 2014	176.4	218.5
Total	701.7	827.3

(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 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 expectations 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, the 2020 Notes use and, going forward, 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 and improvements in our data analytics.

	As of December 31,			As of June 30,(1)
	2011	2012	2013	2014
	(£m)	(£m)	(£m)	(£m)
84-Month Gross ERC	367.3	464.4	564.3	701.7
120-Month Gross ERC	441.0	551.3	650.3	827.3

(1) As of June 30, 2014, our 84-Month Gross ERC on our UK and Portugal loan portfolios were £518.2 million and £183.5 million, respectively, and our 120-Month Gross ERC were £600.2 million and £227.1 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 June 30, 2014.

	Months							84-Month Gross ERC	Months			120-Month Gross ERC
	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
Asset class	**0 - 12**	**13 - 24**	**25 - 36**	**37 - 48**	**49 - 60**	**61 - 72**	**73 - 84**		**85 - 96**	**97 - 108**	**109 - 120**	
Financial services	125.3	112.8	97.9	84.9	74.8	65.4	53.8	614.9	43.7	38.2	33.6	730.2
Retail	14.9	12.3	10.1	8.4	7.2	6.2	4.4	63.5	2.6	2.0	1.5	69.6
Telecommunications	1.2	0.8	0.5	0.3	0.2	0.1	0.1	3.2	—	—	—	3.2
Student loans	4.2	3.9	3.5	2.6	2.2	2.0	1.8	20.2	1.5	1.4	1.2	24.3
Total	145.5	129.9	112.0	96.2	84.4	73.8	59.9	701.7	47.8	41.5	36.3	827.3

As of June 30, 2014, 88.3% 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 £2,274, £490, £314 and £2,066, 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, 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).

Returns on purchased loan portfolios

To further understand the underlying trends in the performance of our purchased loan portfolios, and the 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.

Gross Cash-on-Cash Multiple data based on vintage

The following tables set forth certain data related to our purchased loan portfolios by vintage, as of June 30, 2014.

The decreases in our Gross Cash-on-Cash Multiple by vintage primarily reflect (a) the greater 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.

			84 Months			120 Months		
Vintage	Purchase Price[(1)]	Collections to Date	84-Month Gross ERC	Total Estimated Collections[(2)]	Gross Cash-on-Cash Multiple[(5)]	120-Month Gross ERC	Total Estimated Collections[(2)]	Gross Cash-on-Cash Multiple
	(£m)	(£m)	(£m)	(£m)		(£m)	(£m)	
Pre-2010	43.4[(3)]	88.3[(4)]	46.8	135.1	3.1	52.9	141.2	3.3
2010	30.1	59.9	43.7	103.6	3.4	49.0	108.9	3.6
2011	110.2	134.4	162.0	296.4	2.7	183.9	318.3	2.9
2012	83.9	62.0	123.7	185.7	2.2	142.2	204.2	2.4
2013	101.3	49.3	149.1	198.4	2.0	180.7	230.0	2.3
H1 2014	99.3	15.0	176.4	191.4	1.9	218.5	233.5	2.4
Total	**468.1**	**408.9**	**701.7**	**1,110.6**	**2.4**	**827.3**	**1,236.2**	**2.6**

(1) Purchase price represents the aggregate amount paid for all loan portfolio purchases in a particular period, excluding related acquisition expenses, and includes a portion of Forward Flow Agreements that were entered into during that period, but that may have been funded in subsequent periods.

(2) Total estimated collections represents Collections to Date plus 84-Month Gross ERC or 120-Month Gross ERC, as applicable, meaning Core Collections to June 30, 2014, plus forecasted collections for the following 84 or 120 months, respectively, after June 30, 2014.

(3) This amount includes £36.3 million of cash consideration paid in connection with the purchase by us of businesses and assets from Sallie Mae and from RBS Special Opportunities Fund, representing the cash cost to the Group, excluding portfolio acquisition costs, of these portfolios.

(4) Represents only the collections made after our acquisition by the RBS Special Opportunities Fund in 2009.

(5) The Gross Cash-on-Cash Multiple presented for each vintage represents the Collections to Date plus the 84-Month Gross ERC, all divided by the purchase price for each portfolio. See ''Presentation of Financial and Other Information—Other Financial Information'' and ''Use of Terms.''

Gross Cash-on-Cash Multiple data based on asset class

The following tables set forth certain data related to our purchased loan portfolios by asset class as of June 30, 2014. 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).

			84 Months			120 Months		
Asset class	Purchase Price[(1)]	Collections to Date[(2)]	84-Month Gross ERC	Total Estimated Collections[(3)]	Gross Cash-on-Cash Multiple[(4)]	120-Month Gross ERC	Total Estimated Collections[(3)]	Gross Cash-on-Cash Multiple[(4)]
	(£m)	(£m)	(£m)	(£m)		(£m)	(£m)	
Financial services . . .	391.4	337.4	614.8	952.2	2.4	730.2	1,067.6	2.7
Retail	54.6	53.5	63.5	117.0	2.1	69.6	123.1	2.3
Telecommunications .	9.2	15.9	3.2	19.1	2.1	3.2	19.1	2.1
Student loan	12.9	2.2	20.1	22.3	1.7	24.3	26.5	2.1
Total	**468.1**	**408.9**	**701.7**	**1,110.6**	**2.4**	**827.3**	**1,236.2**	**2.6**

(1) Purchase price represents the aggregate amount paid for all loan portfolio purchases within a particular asset class, excluding related acquisition expenses.

(2) Represents only the collections made after our acquisition by the RBS Special Opportunities Fund in 2009.

(3) Total estimated collections represents Core Collections to date plus 84-Month Gross ERC or 120-Month Gross ERC, as applicable, meaning Core Collections to June 30, 2014, plus forecasted collections for the following 84 or 120 months, respectively, after June 30, 2014.

(4) The Gross Cash-on-Cash Multiple presented for each vintage represents the Collections to Date plus the 84-Month ERC, all divided by the purchase price for each portfolio. See ''Presentation of Financial and Other Information—Other Financial Information'' and ''Use of Terms.''

Gross Cash-on-Cash Multiple data based on geography

The following tables set forth certain data related to our purchased loan portfolios by geography as of June 30, 2014. Portugal has a higher Gross Cash-on-Cash Multiple compared to the UK due to lower levels of competition in the Portuguese market, the purchase by us of some particularly high-performing portfolios in the jurisdiction and, we believe, the strength of our analytical approach to collections.

			84 Months			120 Months		
Asset class	**Purchase Price[(1)]**	**Collections to Date[(2)]**	**84-Month Gross ERC**	**Total Estimated Collections[(3)]**	**Gross Cash-on-Cash Multiple[(4)]**	**120-Month Gross ERC**	**Total Estimated Collections[(3)]**	**Gross Cash-on-Cash Multiple[(4)]**
	(£m)	**(£m)**	**(£m)**	**(£m)**		**(£m)**	**(£m)**	
UK	373.2	349.6	518.2	867.8	2.3	600.2	949.8	2.5
Portugal	94.9	59.3	183.5	242.8	2.6	227.1	286.4	3.0
Total	**468.1**	**408.9**	**701.7**	**1,110.6**	**2.4**	**827.3**	**1,236.2**	**2.6**

(1) Purchase price represents the aggregate amount paid for all loan portfolio purchases within a particular asset class, excluding related acquisition expenses.

(2) Represents only the collections made after our acquisition by the RBS Special Opportunities Fund in 2009.

(3) Total estimated collections represents Core Collections to date plus 84-Month Gross ERC or 120-Month Gross ERC, as applicable, meaning Core Collections to June 30, 2014, plus forecasted collections for the following 84 or 120 months, respectively, after June 30, 2014.

(4) The Gross Cash-on-Cash Multiple presented for each vintage represents the Collections to Date plus the 84-Month ERC, all divided by the purchase price for each portfolio. See ''Presentation of Financial and Other Information—Other Financial Information'' and ''Use of Terms.''

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, and converted 70.1% of our Core Collections to Adjusted EBITDA in H1 2014 (H1 2013: 69.5%; 2013: 70.1%, 2012: 69.8% and 2011: 64.9%). 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. This has contributed to the reduction of our Collection Cost Ratio from 26.6% in 2011 to 22.6% in H1 2014. In addition to DCA commissions, Collection Activity Costs include credit bureau data costs and legal costs associated with collections.

We define Adjusted EBITDA as net cash flow used in operating activities adjusted to exclude the effects of purchases of loan portfolios, purchases of loan notes, proceeds from disposal of purchased loan portfolios, income taxes and overseas taxation paid, working capital adjustments, amortization of acquisition and bank facility fees, fair value losses/(gains) on interest rate swaps, interest payable and exceptional items and including the effects of (loss)/profit on disposal of purchased loan portfolios, gain/(loss) on fair values on derivatives and foreign exchange gains/(losses). We present Adjusted EBITDA because we believe it enhances an investor's understanding of our cash flow generation that could be used to service or pay down debt, pay income taxes, purchase new debt portfolios and for other uses, and the liquidity of our business and because Adjusted EBITDA is frequently used by securities analysts, investors and other interested parties in the evaluation of debt purchasing companies.

For supplemental purposes, we have also included the following:

- a reconciliation of (loss)/profit for the period attributable to the equity shareholder to Adjusted EBITDA. For purposes of this reconciliation, Adjusted EBITDA represents (loss)/profit for the period attributable to equity shareholders 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, portfolio write-up, depreciation and amortization, net foreign exchange (gains)/losses, amortization of acquisition and bank facility fees, share-based payments and exceptional items included under professional fees and services and other operating expenses and adjusted for the effect of portfolio amortization. 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; and

- 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 and operating expenses, and excluding the effects of depreciation and amortization, net foreign exchange (gains)/losses, amortization of acquisition and bank facility fees, share-based payments and exceptional items included under professional fees and services and other operating expenses.

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 attributable to the equity shareholder, Core Collections or any other performance measures determined in accordance with IFRS.

The following tables set forth reconciliations of each of net cash flow from operating activities, (loss)/profit for the period attributable to the equity shareholder and Core Collections to Adjusted EBITDA for the periods under review.

	2011 (£'000)	2012 (£'000)	2013 (£'000)	H1 2013 (£'000)	H1 2014 (£'000)
Net cash flow used in operating activities	(74,701)	(35,189)	(6,794)	(12,139)	(47,998)
Purchases of loan portfolios	109,744	84,431	84,308	50,702	91,197
Purchases of loan notes	—	—	1,798	1,798	—
Proceeds from disposal of purchased loan portfolios	(1,795)	(1,137)	(2,474)	(558)	(1,585)
Income taxes and overseas taxation paid	—	3,173	4,269	1,594	2,656
Working capital adjustments(1)	3,518	2,406	(544)	(4,370)	997
(Loss)/profit on disposal of purchased loan portfolios	(25)	520	1,132	115	504
Gain/(loss) on fair values on derivatives(2)	489	(424)	815	220	—
Amortization of acquisition and bank facility fees(3)	187	2,323	916	790	139
Foreign exchange gains(2)(9)	29	—	—	—	66
Fair value losses/(gains) on interest rate swaps(2)	—	451	(894)	(533)	—
Interest payable(4)	3,997	3,507	1,381	896	—
Exceptional/non-recurring items(5)(6)	2,871	1,879	5,667	4,921	2,560
Adjusted EBITDA	**44,314**	**61,940**	**89,580**	**43,436**	**48,536**

	2011 (£'000)	2012 (£'000)	2013 (£'000)	H1 2013 (£'000)	H1 2014 (£'000)
Profit for the period attributable to the equity shareholder	4,203	9,412	14,511	7,489	9,324
Finance income and costs (other than exceptional/ non-recurring items[(7)]	15,132	19,189	20,314	9,625	11,963
Taxation charge on ordinary activities	2,006	2,736	5,663	3,746	2,776
Exceptional/non-recurring items included under finance income and costs[(5)]	—	—	3,916	3,916	143
Operating profit	**21,341**	**31,337**	**44,404**	**24,776**	**24,206**
Portfolio amortization[(8)]	20,755	26,459	40,510	19,790	19,340
Portfolio write-up	(816)	(1,241)	(4,843)	(4,746)	—
Depreciation and amortization	283	835	752	365	391
Net foreign exchange (gains)/losses[(9)]	(307)	348	(23)	(295)	780
Amortization of acquisition and bank facility fees[(3)]	187	2,323	359	232	139
Share-based payments	—	—	—	—	250
Exceptional/non-recurring items included under professional fees and services and other operating expenses[(5)]	2,871	1,879	8,421	3,314	3,430
Adjusted EBITDA	**44,314**	**61,940**	**89,580**	**43,436**	**48,536**

	2011 (£'000)	2012 (£'000)	2013 (£'000)	H1 2013 (£'000)	H1 2014 (£'000)
Income from purchased loan portfolios	47,493	62,261	87,330	42,719	49,925
Portfolio amortization	20,755	26,459	40,510	19,790	19,340
Core Collections/Collections in the period[(11)]	**68,248**	**88,720**	**127,840**	**62,509**	**69,265**
Income from asset management	1,447	1,818	1,392	719	1,179
Other income/profit/(loss) on portfolio and loan note sales[(10)]	130	520	1,132	127	504
Operating expenses	(28,545)	(34,503)	(50,293)	(23,535)	(27,402)
Depreciation and amortization	283	835	752	365	391
Net foreign exchange (gains)/losses[(9)]	(307)	348	(23)	(295)	780
Amortization of acquisition and bank facility fees[(3)]	187	2,323	359	232	139
Share-based payments	—	—	—	—	250
Exceptional/non-recurring items included under professional fees and services and other operating expenses[(5)]	2,871	1,879	8,421	3,314	3,430
Adjusted EBITDA	**44,314**	**61,940**	**89,580**	**43,436**	**48,536**

(1) Working capital movements include the net movement on debtors and creditors, excluding our revolving credit facilities, the Pre-IPO Shareholder Loans and related accrued interest, the 2020 Notes and related accrued interest, the Non-Controlling Interest Loans and related accrued interest but including financing costs amortization relating to such borrowings, and corporation tax debtors and creditors. The following table sets forth the working capital movements based on our consolidated cash flow statements for the periods under review.

	2011 (£'000)	2012 (£'000)	2013 (£'000)	H1 2013 (£'000)	H1 2014 (£'000)
Deferred consideration	999	1,065	—	—	—
Increase in other receivables	3,962	1,602	4,675	2,456	3,234
Amortization of legal acquisition fees on portfolios and financing costs	(57)	(230)	(3,594)	(3,594)	—
Increase in trade and other payables	(1,386)	(31)	(1,525)	(3,232)	(2,119)
Cash from secured loan notes from third party	—	—	(100)	—	(118)
Working capital adjustments	**3,518**	**2,406**	**(544)**	**(4,370)**	**997**

(2) The ''gain/(loss) on fair values on derivatives'' represents the unrealized portion of the change in fair value of the derivatives held by us for the relevant period. The ''fair value losses/(gains) on interest rate swaps'' represent the unrealized portion of the change in fair value of the interest rate swaps held by us for the relevant period.

(3) Amortization of acquisition and bank facility fees that are not considered non-recurring form part of the following items in our consolidated cash flow statements during the periods under review.

	2011 (£'000)	2012 (£'000)	2013 (£'000)	H1 2013 (£'000)	H1 2014 (£'000)
Acquisition costs	60	487	359	232	139
Bank arrangement/facility fees and bond fee amortization	127	1,836	557	558	—
Amortization of acquisition and bank facility fees	**187**	**2,323**	**916**	**790**	**139**

In the reconciliation of profit for the period attributable to the equity shareholder to Adjusted EBITDA, and the reconciliation of Core Collections to Adjusted EBITDA, only the acquisition costs component is included in the reconciliation for H1 2013 because the bank arrangement/facility fees and bond fee amortization component is reflected under finance income and costs.

(4) Interest payable includes cash interest on bank loans and therefore does not include (a) interest on Pre-IPO Shareholder Loans that is payment-in-kind interest and (b) interest payable on the 2020 Notes.

(5) Exceptional/non-recurring 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/non-recurring items during the periods under review.

	2011 (£'000)	2012 (£'000)	2013 (£'000)	H1 2013 (£'000)	H1 2014 (£'000)
Professional fees and services:					
Project and legal-related expenses	2,085[(i)]	1,386[(ii)]	—	—	—
Other operating expenses:					
Goodwill impairment[(iii)]	—	—	2,309	2,309	—
Staff costs/IPO-related costs	645[(i)]	323[(ii)]	6,112[(iv)]	1,005[(v)]	870[(vi)]
Settlement provisions[(vii)]	—	—	—	—	2,560
Other	141[(i)]	170[(ii)]	—	—	—
Exceptional/non-recurring items included under professional fees and services and other operating expenses	**2,871**	**1,879**	**8,421**	**3,314**	**3,430**
Exceptional/non-recurring finance income and costs	—	—	3,916[(viii)]	3,916[(viii)]	143[(ix)]
Total exceptional/non-recurring items	**2,871**	**1,879**	**12,337**	**7,230**	**3,573**

(i) Included restructuring costs, fees in relation to the Old Revolving Credit Facility payable to legal advisers, legal and forensic accounting expenses that we incurred in connection with certain non-owned accounts that a Debt Seller sold to us, and payments in connection with the termination of certain employee contracts.

(ii) Included advisory fees in connection with our proposed sale by RBS Special Opportunities Fund, payments in connection with the termination of certain employee contracts and restructuring costs.

(iii) Comprises goodwill impairment recognized in connection with the acquisition of AGAML. The goodwill impairment is not reflected in exceptional/non-recurring items in the reconciliation of net cash flow from operating activities to Adjusted EBITDA because it is a non-cash item.

(iv) Comprises non-recurring restructuring costs in connection with the issuance of the 2020 Notes of £1.0 million and IPO-related staff costs of £5.1 million, with the main cost being £4.4 million of share option charges.

(v) Comprises non-recurring restructuring costs in connection with the issuance of the 2020 Notes. In the reconciliation of (loss)/profit for the period attributable to equity shareholders to Adjusted EBITDA, the exceptional/non-recurring items are split between those costs that were included within operating profit (£3.3 million) and those items that form part of finance costs (£3.9 million) and are, therefore, not included within operating profit. In the reconciliation of Core Collections to Adjusted EBITDA only those exceptional/ non-recurring items included within operating profit (£3.3 million) are reconciling items.

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

(vii) Includes settlement provisions mainly in connection with the resolution of a historical tax issue with HMRC of £2.4 million.

(viii) Consists of accelerated amortization and settlement fees in connection with the termination of our revolving credit facility dated October 4, 2011 (the ***Old Revolving Credit Facility***) and repayment of the Non-Controlling Interest Loans and partial repayment of the Pre-IPO Shareholder Loans. This was recognized as part of finance income and costs in our income statement.

(ix) Comprises interest on the settlement of the historical tax issue discussed in note (vii).

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

	Year ended December 31,			Six months ended June 30,	
	2011 (£'000)	2012 (£'000)	2013 (£'000)	2013 (£'000)	2014 (£'000)
Total exceptional/non-recurring items	2,871	1,879	12,337	7,230	3,573
Non-cash adjustments and financing costs	—	—	(6,670)(A)	(2,309)(B)	(1,013)(C)
	2,871	1,879	5,667	4,921	2,560

(A) Reflects goodwill impairment (see note (iii) above) and share option charges in relation to the IPO (£4.4 million).

(B) See note (iii) above.

(C) Reflects share option charges subsequent to the IPO (£0.9 million) and financing costs (£0.1 million).

(7) Finance income and costs excluding exceptional/non-recurring items consist of interest on the 2020 Notes, interest on the Pre-IPO Shareholder Loans, interest on bank loans, interest on Non-Controlling Interest Loans, the fair value movement on interest rate swaps and the amortization of financing costs.

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

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

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

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

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.

Our purchased loan portfolios are split between current and non-current assets in our balance sheet. We determine the current portion of purchased loan portfolios using the expected cash flows arising in the next 12 months after the balance sheet date; the residual amount is classified under non-current assets.

The following table sets forth details relating to our purchased loan portfolio at the dates indicated.

	December 31,			June 30,
	2011 (£'000)	2012 (£'000)	2013 (£'000)	2014 (£'000)
Purchased loan portfolios	150,005	208,171	273,932	352,766
Purchased loan portfolios as a % of total assets	90.0	90.9	80.9(1)	90.6

(1) The decrease compared to 2012 was primarily due to an increase in cash and cash equivalents as a result of the 2013 Shareholder Loan.

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 Chief Executive Officer) 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.

Portfolio write-up

Portfolio value adjustments arise at the end of each financial reporting period, when the carrying values of the loan portfolios are assessed with reference to the latest 84-Month Gross ERC discounted at the EIR, or when impairments are recorded. Each loan portfolio is assessed separately, with the net gain/(loss) of all loan portfolios reflected in the statement of comprehensive income for each period. Such adjustments are presented in the line item ''Portfolio write-up'' in the statement of comprehensive income. On a gross basis, both write-ups and write-downs are increasing as the size of our portfolio of purchased debt increases.

Income from 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 earns a relatively high share of collections in addition to the cost recovery, while in more recent contracts, we earns a lower fee on collections and a gain share when a hurdle rate is achieved.

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, and interest income.

We seek to sell loan portfolios that we do not consider part of our core operations. Profit or loss on portfolio and loan note sales represents the results of our loan portfolio and loan note sales, including the income on legacy funding loans that were made prior to our acquisition in 2009 by the RBS Special Opportunities Fund. These loans have been repaid or sold as of December 31, 2011. 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 and other operating expenses.

The following table sets forth details relating to our operating expenses during the periods under review.

	2011		2012		2013		H1 2013		H1 2014	
	(£'000)	%	(£'000)	%	(£'000)	%	(£'000)	%	(£'000)	%
Collection Activity Costs	18,152	63.6	19,645	56.9	27,994	55.7	14,310	60.8	15,632	57.0
Professional fees and services	3,243	11.4	4,548	13.2	1,721	3.4	1,036	4.4	509	1.9
Of which exceptional/ non-recurring items	(2,085)	(7.3)	(1,386)	(4.0)	—	—	—	—	—	—
Professional fees and services excluding exceptional/ non-recurring items	1,158	4.1	3,162	9.2	1,721	3.4	1,036	4.4	509	1.9
Other operating expenses	7,150	25.0	10,310	29.9	20,578	40.9	8,189	34.8	11,261	41.1
Of which exceptional/ non-recurring items	(786)	(2.7)	(493)	(1.4)	(8,421)	(16.7)	(3,314)	(14.1)	(3,430)	(12.5)
Other operating expenses excluding exceptional/ non-recurring items	6,364	22.3	9,817	28.5	12,157	24.2	4,875	20.7	7,831	28.6
Total operating expenses	**28,545**	**100.0**	**34,503**	**100.0**	**50,293**	**100.0**	**23,535**	**100.0**	**27,402**	**100.0**

- Collection Activity Costs represent the direct costs of external collections related to our loan portfolios, such as commissions paid to third party outsourced providers, credit bureau data costs, legal costs associated with collections and the cost of collection letters. 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.

	2011		2012		2013		H1 2013		H1 2014	
	(£'000)	%	(£'000)	%	(£'000)	%	(£'000)	%	(£'000)	%
DCA commissions	14,463	79.7	14,564	74.1	21,075	75.3	10,557	73.8	12,045	77.1
Other collection costs	3,689	20.3	5,081	25.9	6,919	24.7	3,753	26.2	3,586	22.9
Collection Activity Costs	18,152	100.0	19,645	100.0	27,994	100.0	14,310	100.0	15,632	100.0

- 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 professional fees and services during the periods under review.

	Year ended December 31,						Six months ended June 30,			
	2011		2012		2013		2013		2014	
	(£'000)	%	(£'000)	%	(£'000)	%	(£'000)	%	(£'000)	%
Professional fees and services	3,243	100.0	4,548	100.0	1,721	100.0	1,036	100.0	509	100.0
Of which exceptional/ non-recurring items(1)	(2,085)	(64.3)	(1,386)	(30.5)	—	—	—	—	—	—
Professional fees and services excluding exceptional/ non-recurring items(1)	1,158	35.7	3,162	69.5	1,721	100.0	1,036	100.0	509	100.0

(1) Beginning January 1, 2014, we refer to "exceptional items" in our consolidated income statement as "non-recurring items." In each case, these items are those that are separately identified by virtue of their size and incidence to allow a full understanding of our underlying performance. There is no difference in the basis of preparation of the items referred to as "exceptional" or "non-recurring."

- 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.

The following table sets forth a breakdown of other operating expenses during the periods under review.

	2011		2012		2013		H1 2013		H1 2014	
	(£'000)	%	(£'000)	%	(£'000)	%	(£'000)	%	(£'000)	%
Staff costs	5,289	74.0	6,102	59.2	14,118	68.6	4,397	53.7	5,368	47.7
Other staff-related costs	365	5.1	967	9.4	1,140	5.5	516	6.3	810	7.2
Premises	571	8.0	529	5.1	574	2.8	662	8.1	369	3.3
IT	660	9.2	677	6.6	913	4.4	410	5.0	505	4.5
Depreciation and amortization	283	4.0	835	8.1	752	3.7	365	4.4	391	3.5
Net foreign exchange losses/ (gains)	(336)	(4.7)	348	3.4	(23)	(0.1)	(295)	(3.6)	780	6.9
Goodwill impairment	—	—	—	—	2,309	11.2	2,309	28.2	—	—
Other	318	4.4	852	8.2	795	3.9	(175)	(2.1)	3,038	26.9
Total other operating expenses including exceptional/ non-recurring items[(1)]	**7,150**	**100.0**	**10,310**	**100.0**	**20,578**	**100.0**	**8,189**	**100.0**	**11,261**	**100.0**
Exceptional/non-recurring items:										
Settlement provisions	—		—		—		—		(2,560)	
Goodwill impairment	—		—		(2,309)		(2,309)		—	
Staff costs/IPO-related costs	(645)		(323)		(6,112)		(1,005)		(870)	
Other	(141)		(170)		—		—		—	
Total exceptional/non-recurring items[(1)]	(786)		(493)		(8,421)		(3,314)		(3,430)	
Total other operating expenses excluding exceptional/ non-recurring items[(1)]	**6,364**		**9,817**		**12,157**		**4,875**		**7,831**	

(1) Beginning January 1, 2014, we refer to ''exceptional items'' in our consolidated income statement as ''non-recurring items.'' In each case, these items are those that are separately identified by virtue of their size and incidence to allow a full understanding of our underlying performance. There is no difference in the basis of preparation of the items referred to as ''exceptional'' or ''non-recurring.''

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 (and prior to January 2013, the Old Revolving Credit Facility), the 2020 Notes (since January 2013), the Pre-IPO Shareholder Loans and Non-Controlling Interest Loans (in each case prior to January 2013), 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.

	2011		2012		2013		H1 2013		H1 2014	
	(£'000)	%	(£'000)	%	(£'000)	%	(£'000)	%	(£'000)	%
Interest on 2020 Notes/Senior secured notes interest(1)	—	—	—	—	15,978	65.8	7,383	54.5	9,131	73.6
Interest and similar charges on bank loans	3,997	26.4	3,507	18.%	1,970	8.1	1,757	13.0	957	7.7
Pre-IPO Shareholder Loans interest expense/Shareholder interest expense(2)	10,979	72.6	14,882	77.6	1,291	5.3	1,291	9.5	—	—
Interest on Non-Controlling Interest Loans/Minority interest loans(3)	156	1.0	349	1.8	30	0.1	30	0.2	—	—
Intercompany interest	—	—	—	—	1,012	4.2	—	—	2,044	16.5
Other interest	—	—	—	—	346	1.4	19	0.1	151	1.2
Total interest expense	15,132	100.0	18,738	97.6	20,627	84.9	10,480	77.4	12,283	99.0
Fair value losses/ (gains) on interest rate swaps	—	—	451	2.4	(894)	(3.7)	(533)	(3.9)	125	1.0
Amortization of financing costs	—	—	—	—	4,554	18.8	3,594	26.5	—	—
Total finance costs including exceptional/non-recurring items(4)	**15,132**	**100.0**	**19,189**	**100.0**	**24,287**	**100.0**	**13,541**	**100.0**	**12,408**	**100.0**
Non-recurring finance costs	—		—		(3,916)		(3,916)		(143)	
Finance income	—		—		(57)		—		(302)	
Total finance income and costs excluding exceptional/ non-recurring items(4)	**15,132**		**19,189**		**20,314**		**9,625**		**11,963**	

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

(2) Presented as "Shareholder interest expense" in our consolidated financial statements. See "Presentation of Financial and Other Information—Financial Information for the Group."

(3) Presented as "Minority interest expense" in our consolidated financial statements. See "Presentation of Financial and Other Information—Financial Information for the Group."

(4) Beginning January 1, 2014, we refer to "exceptional items" in our consolidated income statement as "non-recurring items." In each case, these items are those that are separately identified by virtue of their size and incidence to allow a full understanding of our underlying performance. There is no difference in the basis of preparation of the items referred to as "exceptional" or "non-recurring."

- *2020 Notes.* Interest on the 2020 Notes is payable every March 1 and September 1 (beginning September 1, 2013) at a rate of 7.875% per annum. See "—Liquidity and Capital Resources—Borrowings—2020 Notes."
- *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 4.25% per annum, subject to a margin ratchet based on LTV Ratio (as defined in "—Liquidity and Capital Resources—Borrowings") at each quarter end. Interest on borrowings under the Old Revolving Credit Facility was payable at a rate of LIBOR plus 4% per annum. In January 2013, we utilized a portion of the net proceeds of the offering of the 2020 Notes to prepay amounts outstanding under the Old Revolving Credit Facility and cancelled the Old Revolving Credit Facility. See "—Liquidity and Capital Resources—Borrowings—Arrow Global Revolving Credit Facility."
- *Interest expense on Pre-IPO Shareholder Loans.* Prior to entering into the Old Revolving Credit Facility, we were funded solely by Pre-IPO Shareholder Loans (in the form of loan notes) and cash generated by our business. The Pre-IPO Shareholder Loans were for £25,000,000, and the loan notes were issued by AGGHL in 2011 to RB Investments 1 Limited. The Pre-IPO Shareholder Loans accrued interest at a rate of 15% per annum. In January 2013, we repaid a portion of the Pre-IPO Shareholder Loans with a portion of the net proceeds of the offering of the 2020 Notes, and the

remaining Pre-IPO Shareholder Loans were converted into ordinary shares of AGGHL. Therefore, we no longer incur interest expense on Pre-IPO Shareholder Loans.

- *Interest expense on Non-Controlling Interest Loans.* The Non-Controlling Interest Loans consisted of loan notes for £2,067,000 issued by AGGHL to non-controlling shareholders, which incurred interest at a rate of 15%. In January 2013, we redeemed all of the loan notes with a portion of the net proceeds of the offering of the 2020 Notes. Therefore, we no longer incur interest expense on the Non-Controlling Interest Loans.
- *Intercompany interest.* Intercompany interest comprises interest paid by Arrow Global Limited to AGG in respect of the 2013 Shareholder Loan. On August 27, 2014, the 2013 Shareholder Loan was converted into a subordinated loan to AGGHL qualifying as Subordinated Shareholder Funding (under the 2020 Indenture, which has 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.''
- *Amortization of financing costs.* In 2013, we incurred accelerated amortization and settlement fees in connection with the prepayment of amounts outstanding under, and cancellation of, the Old Revolving Credit Facility, the repayment of the Non-Controlling Interest Loans and the partial repayment of the Pre-IPO Shareholder Loans.

We disclose certain exceptional/non-recurring items under professional fees and services, 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/non-recurring items.'' Exceptional/non-recurring items are those items that we identify separately by virtue of their size or incidence to allow a full understanding of our underlying performance.

Taxation charge on ordinary activities

In January 2013, we reorganized, as a result of which the majority of our trading profits now arise in the UK

We have entities in Guernsey, the UK and Poland. The entities incorporated in Guernsey, including AGGHL, are taxed at 0%. Corporation tax is payable in respect of our entities incorporated in the UK and Poland. Given the predominance of our UK activities, the analysis in our financial statements uses the UK corporate statutory tax rate prevailing in the accounting period in question. Our effective tax rates for H1 2014 and 2013 were higher than the standard rate of corporation tax in the UK at 21.5% and 23.25%, respectively.

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 Act 2012 included provisions to reduce the rate of UK corporation tax to 24% with effect from April 1, 2012 and 23% with effect from April 1, 2013. Accordingly, our deferred tax balances were revalued at the lower rate of 23% in our 2012 financial statements.

The Finance Act 2013 included provisions to reduce the rate of UK corporation tax to 21% with effect from April 1, 2014 and 20% with effect from April 1, 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 revalued to the lower rate of 20% in our 2013 financial statements.

We have been involved in ongoing discussions with HMRC with respect to the VAT implications of our business activities performed in Guernsey prior to our reorganization in January 2013. HMRC has concluded its review and has disagreed with our technical analysis. HMRC has raised an assessment for VAT but confirmed no penalties will be levied as it has confirmed that we acted reasonably. Given the time, costs and uncertainties associated with appealing the HMRC decision at a tax tribunal and the fact that this is a historical issue with no impact on our future profitability, we have decided to settle the assessment. We incurred a non-recurring charge of £2.4 million (including advisors' fees) for H1 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.

Balance sheet data

	December 31,			June 30,
	2011 (£'000)	2012 (£'000)	2013 (£'000)	2014 (£'000)
Purchased loan portfolios (asset)	150,005	208,171	273,932	352,766
Bank loan/Revolving credit facility (liability)	58,983	97,381	—	26,946
Pre-IPO Shareholder Loans (liability)	91,703	106,585	—	—
2020 Notes/Senior secured notes(1) (liability)	—	—	217,695(2)	218,291(3)

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

(2) Consists of £211.9 million recognized under non-current liabilities on the balance sheet (i.e. principal amount less issuance costs) plus £5.8 million of accrued interest recognized under current liabilities on the balance sheet.

(3) Consists of £212.6 million recognized under non-current liabilities on the balance sheet (i.e. principal amount less issuance costs) plus £5.7 million of accrued interest recognized under current liabilities on the balance sheet.

Statement of comprehensive income data

	2011		2012		2013		H1 2013		H1 2014	
	(£'000)	% of total revenue	(£'000)	% of total revenue	(£'000)	% of total revenue	(£'000)	% of total revenue	(£'000)	% of total revenue
Income from purchased loan portfolios	47,493	95.2	62,261	94.6	87,330	92.2	42,719	88.4	49,925	96.7
Portfolio write-up	816	1.6	1,241	1.9	4,843	5.1	4,746	9.8	—	—
Income from asset management	1,447	2.9	1,818	2.8	1,392	1.5	719	1.5	1,179	2.3
Other income/profit/(loss) on portfolio and loan note sales	130	0.3	520	0.8	1,132	1.2	127	0.3	504	1.0
Total revenue	**49,886**	**100.0**	**65,840**	**100.0**	**94,697**	**100.0**	**48,311**	**100.0**	**51,608**	**100.0**
Collection Activity Costs	(18,152)	(36.4)	(19,645)	(29.8)	(27,994)	(29.6)	(14,310)	(29.6)	(15,632)	(30.3)
Professional fees and services	(3,243)	(6.5)	(4,548)	(6.9)	(1,721)	(1.8)	(1,036)	(2.1)	(509)	(1.0)
Of which exceptional/non-recurring items[(1)]	2,085	4.2	1,386	2.1	—	—	—	—	—	—
Professional fees and services excluding exceptional/non-recurring items[(1)]	(1,158)	(2.3)	(3,162)	(4.8)	(1,721)	(1.8)	(1,036)	(2.1)	(509)	(1.0)
Other operating expenses	(7,150)	(14.3)	(10,310)	(15.6)	(20,578)	(21.7)	(8,189)	(17.0)	(11,261)	(21.8)
Of which exceptional/non-recurring items[(1)]	786	1.5	493	0.7	8,421	8.9	3,314	6.9	3,430	6.6
Other operating expenses excluding exceptional/non-recurring items[(1)]	(6,364)	(12.8)	(9,817)	(14.9)	(12,157)	(12.8)	(4,875)	(10.1)	(7,831)	(15.2)
Total operating expenses before exceptional/ non-recurring items[(1)]	(25,674)	(51.4)	(32,624)	(49.5)	(41,872)	(44.2)	(20,221)	(41.8)	(23,972)	(46.5)
Exceptional/non-recurring items[(1)]	(2,871)	(5.8)	(1,879)	(2.9)	(8,421)	(8.9)	(3,314)	(6.9)	(3,430)	(6.6)
Total operating expenses after exceptional/ non-recurring items[(1)]	**(28,545)**	**(57.2)**	**(34,503)**	**(52.4)**	**(50,293)**	**(53.1)**	**(23,535)**	**(48.7)**	**(27,402)**	**(53.1)**
Operating profit	**21,341**	**42.8**	**31,337**	**47.6**	**44,404**	**46.9**	**24,776**	**51.3**	**24,206**	**46.9**
Finance income and costs	(15,132)	(30.3)	(19,189)	(29.1)	(24,230)	(25.6)	(13,541)	(28.0)	(12,106)	(23.5)
Of which exceptional/non-recurring items[(1)]	—	—	—	—	3,916	4.1	3,916	8.1	143	0.3
Finance income and costs excluding exceptional/non-recurring items[(1)]	(15,132)	(30.3)	(19,189)	(29.1)	(20,314)	(21.5)	(9,625)	(19.9)	(11,963)	(23.2)
Profit before tax	**6,209**	**12.4**	**12,148**	**18.5**	**20,174**	**21.3**	**11,235**	**23.3**	**12,100**	**23.4**
Taxation charge on ordinary activities	(2,006)	(4.0)	(2,736)	(4.2)	(5,663)	(6.0)	(3,746)	(7.8)	(2,776)	(5.4)
Profit for the period attributable to the equity shareholder	**4,203**	**8.4**	**9,412**	**14.3**	**14,511**	**15.3**	**7,489**	**15.5**	**9,324**	**18.1**

(1) Beginning January 1, 2014, we refer to "exceptional items" in our consolidated income statement as "non-recurring items." In each case, these items are those that are separately identified by virtue of their size and incidence to allow a full understanding of our underlying performance. There is no difference in the basis of preparation of the items referred to as "exceptional" or "non-recurring."

Balance sheet as of June 30, 2014 compared to balance sheet as of December 31, 2013

Purchased loan portfolios

Purchased loan portfolios increased £78.9 million, or 28.8%, from £273.9 million as of December 31, 2013 to £352.8 million as of June 30, 2014. This increase was principally due to loan portfolio acquisitions (including acquisition costs) of £99.3 million made during H1 2014.

2020 Notes

In January 2013, we issued the 2020 Notes in an aggregate principal amount of £220.0 million. The amount of £212.6 million shown under non-current liabilities on the balance sheet as of June 30, 2014 comprises the principal amount less issuance costs. We have also recognized £5.7 million of accrued interest in relation to the 2020 Notes under current liabilities on the balance sheet as of June 30, 2014.

Statement of comprehensive income for H1 2014 compared to H1 2013

Total revenue

Total revenue increased £3.3 million, or 6.8%, from £48.3 million in H1 2013 to £51.6 million in H1 2014. This increase was principally due to the combined effects of the following:

- *Income from purchased loan portfolios.* Income from purchased loan portfolios increased £7.2 million, or 16.9%, from £42.7 million in H1 2013 to £49.9 million in H1 2014 due to the acquisition of new loan portfolios.
- *Portfolio write-up.* Portfolio write-up was nil in H1 2014 compared to £4.7 million in H1 2013. The portfolio write-up in H1 2013 related to our forecasting increased Core Collections from our purchased loan portfolios compared to prior periods.

- *Income from asset management.* Income from asset management increased £0.5 million, or 71.4%, from £0.7 million in H1 2013 to £1.2 million in H1 2014 due to increased settlement fees.
- *Other income.* Other income increased £0.4 million from £0.1 million in H1 2013 to £0.5 million in H1 2014.

Total operating expenses

Operating expenses increased £3.9 million, or 16.6%, from £23.5 million in H1 2013 to £27.4 million in H1 2014. This increase was principally due to the combined effects of the following:

- *Collection Activity Costs.* Collection Activity Costs increased £1.3 million, or 9.1%, from £14.3 million in H1 2013 to £15.6 million in H1 2014. Our Collection Activity Costs are largely variable with Core Collections. Our Core Collections increased £6.8 million, or 10.9%, from £62.5 million in H1 2013 to £69.3 million in H1 2014. Our Collection Cost Ratio decreased from 22.9% in H1 2013 to 22.6% in H1 2014.
- *Professional fees and services.* Professional fees and services decreased £0.5 million, or 50.0%, from £1.0 million in H1 2013 to £0.5 million in H1 2014.
- *Other operating expenses.* Other operating expenses increased £3.1 million, or 37.8%, from £8.2 million in H1 2013 to £11.3 million in H1 2014. This increase was primarily due to an increase in staff costs (from £4.4 million in H1 2013 to £5.4 million in H1 2014) as a result of an increased employee base, net foreign exchange losses of £0.7 million in H1 2014 compared to net foreign exchange gains of £0.3 million in H1 2013 as a result of the strengthening of the pound sterling and non-recurring settlement provisions of £2.6 million.

  For H1 2014, non-recurring items included within other operating expenses included a non-recurring charge of £2.4 million in connection with the resolution of a historical tax issue with HMRC, as well as share option charges of £0.9 million in connection with the IPO. For H1 2013, non-recurring items included within other operating expenses included goodwill impairment in connection with the acquisition of AGAML and exceptional staff costs of £1.0 million in connection with the offering of the 2020 Notes.

  Excluding the exceptional/non-recurring items, other operating expenses increased £2.9 million, or 59.2%, from £4.9 million in H1 2013 to £7.8 million in H1 2014.

  The following table sets forth components of our other operating expenses during the periods indicated.

	H1 2013			H1 2014		
	Other operating expenses (£'000)	**Exceptional items (£'000)**	**Other operating expenses excluding exceptional items (£'000)**	**Other operating expenses (£'000)**	**Non-recurring items (£'000)**	**Other operating expenses excluding non-recurring items (£'000)**
Staff costs[1]	4,397	(1,005)	**3,392**	5,368	(870)	**4,498**
Other staff-related costs	516	—	**516**	810	—	**810**
Premises	662	—	**662**	369	—	**369**
IT	410	—	**410**	505	—	**505**
Depreciation and amortization	365	—	**365**	391	—	**391**
Settlement provisions	—	—	**—**	2,560	(2,560)	**—**
Net foreign exchange losses/ (gains)	(295)	—	**(295)**	780	—	**780**
Goodwill impairment	2,309	(2,309)	**—**	—	—	**—**
Other	(175)	—	**(175)**	478	—	**478**
Total	**8,189**	**(3,314)**	**4,875**	**11,261**	**(3,430)**	**7,831**

(1) Represents IPO related costs.

Finance income and costs

Net finance costs decreased £1.4 million, or 10.4%, from £13.5 million in H1 2013 to £12.1 million in H1 2014. This decrease was primarily due to exceptional accelerated amortization and settlement fees of £3.9 million recognized in H1 2013 in connection with the prepayment of amounts outstanding under, and cancellation of, the Old Revolving Credit Facility, the repayment of the Non-Controlling Interest Loans and the partial repayment of the Pre-IPO Shareholder Loans. For H1 2014, non-recurring costs were £0.1 million.

Excluding the impact of exceptional/non-recurring items, net finance costs increased £2.4 million, or 25.0%, from £9.6 million to £12.0 million in H1 2014. This increase was primarily due to increased accrued interest expense in connection with the 2020 Notes (£9.1 million in H1 2014 compared to £7.4 million in H1 2013) and interest expense incurred in H1 2014 in connection with intercompany loans between AGL and AGG (including the 2013 Shareholder Loan). This increase was partially offset by reduced interest expense in connection with the Arrow Global Revolving Credit Facility (due to lower amounts outstanding) and the absence of interest expenses in connection with the Non-Controlling Interest Loans and the Pre-IPO Shareholder Loans.

Taxation charge on ordinary activities

Taxation charge on ordinary activities decreased £0.9 million from £3.7 million in H1 2013 to £2.8 million in H1 2014. This decrease was principally due to lower overseas taxation as a result of our corporate reorganization.

The effective tax rate for H1 2014 was 21.5%, compared to 33.3% in H1 2013. The effective tax rate in H1 2013 was unusually high due to non-deductible non-recurring expenses and overseas tax differences no longer applicable during H1 2014.

Profit for the period attributable to the equity shareholder

As a result of the foregoing factors, profit for the period attributable to the equity shareholder increased £1.8 million, or 24.0%, from £7.5 million in H1 2013 to £9.3 million in H1 2014.

Balance sheet as of December 31, 2013 compared to balance sheet as of December 31, 2012

Purchased loan portfolios

Purchased loan portfolios increased £65.7 million, or 31.6%, from £208.2 million as of December 31, 2012 to £273.9 million as of December 31, 2013. This increase was principally due to loan portfolio acquisitions (including acquisition costs) of £101.3 million (with a face value of £1,370 million) made during 2013, and was partially offset by increased portfolio amortization (£40.5 million in 2013 compared to £26.5 million in 2012).

The movements in purchased loan portfolio assets were as follows:

	2012 £'000	2013 £'000
As of the year brought forward	150,005	208,171
Portfolios acquired during the year(1)	84,431	84,308
Portfolios acquired through acquisition of a subsidiary(2)	—	18,301
Core Collections	(88,720)	(127,840)
Income from purchased loan portfolios	62,261	87,330
Exchange gain/(loss) on purchased loan portfolios	(200)	161
Amortization of legal acquisition fees on portfolios	(230)	—
Disposal of purchased loan portfolios	(617)	(1,342)
Portfolio write up	1,241	4,843
As of the year end	**208,171**	**273,932**

(1) Includes capitalized portfolio expenditure of £1,759,000 (2012: £453,000).

(2) Relates to the acquisition of AGAML.

In line with our strategy, following pilot investments in 2012, we further expanded into two new asset classes, student loans and second liens, during 2013. As of December 31, 2013, the total face value of assets under management was £9.6 billion, including purchased portfolios of £7.2 billion across 5.1 million customer accounts.

Bank loans and Pre-IPO Shareholder Loans

Bank loans and Pre-IPO Shareholder Loans decreased from £206.6 million as of December 31, 2012 to nil as of December 31, 2013. The decrease in bank loans was due to the repayment of amounts outstanding under the Old Revolving Credit Facility with a portion of the proceeds of the offering of the 2020 Notes, as well as the absence of drawdowns under the Arrow Global Revolving Credit Facility during 2013. The decrease in Pre-IPO Shareholder Loans was due to the repayment, in January 2013, of a portion of the Pre-IPO Shareholder Loans with a portion of the proceeds of the offering of the 2020 Notes, and the conversion of the remaining Pre-IPO Shareholder Loans into ordinary shares of AGGHL.

2020 Notes

The amount of £211.9 million shown under non-current liabilities on the balance sheet as of December 31, 2013 comprises the principal amount less issuance costs. We also recognized £5.8 million of accrued interest in relation to the 2020 Notes under current liabilities on the balance sheet as of December 31, 2013.

Trade and other payables

Trade and other payables increased £50.7 million from £9.8 million in 2012 to £60.5 million in 2013. This increase was primarily due to the 2013 Shareholder Loan.

Statement of comprehensive income for 2013 compared to 2012

Total revenue

Total revenue increased £28.9 million, or 43.9%, from £65.8 million in 2012 to £94.7 million in 2013. This increase was principally due to the combined effects of the following:

- *Income from purchased loan portfolios.* Income from purchased loan portfolios increased £25.0 million, or 40.1%, from £62.3 million in 2012 to £87.3 million in 2013 due to the acquisition of new loan portfolios.
- *Portfolio write-up.* Portfolio write-up increased £3.6 million from £1.2 million in 2012 to £4.8 million in 2013, principally due to our forecasting increased Core Collections from our purchased loan portfolios compared to prior years.
- *Income from asset management.* Income from asset management decreased £0.4 million, or 22.2%, from £1.8 million in 2012 to £1.4 million in 2013.
- *Other income.* Other income increased £0.6 million from £0.5 million in 2012 to £1.1 million in 2013.

Total operating expenses

Operating expenses increased £15.8 million, or 45.8%, from £34.5 million in 2012 to £50.3 million in 2013. This increase was principally due to the combined effects of the following:

- *Collection Activity Costs.* Collection Activity Costs increased £8.4 million, or 42.9%, from £19.6 million in 2012 to £28.0 million in 2013. Our Collection Activity Costs are largely variable with Core Collections. Our Core Collections increased £39.1 million, or 44.1%, from £88.7 million in 2012 to £127.8 million in 2013, reflecting the increase in our portfolio asset base. Although our Collection Activity Costs increased, our Collection Cost Ratio decreased from 22.1% in 2012 to 21.9% in 2013.
- *Professional fees and services.* Expenses for professional fees and services decreased £2.8 million, or 62.2%, from £4.5 million in 2012 to £1.7 million in 2013. The professional fees and services expenses in 2012 included a significant proportion of the costs associated with the issuance of the 2020 Notes. This decrease was also due to exceptional professional fees of £1.4 million in 2012 in connection with corporate restructuring and transaction advisory services, which was not repeated in 2013. Excluding exceptional items, professional fees and services decreased £1.4 million, or 45.2%, from £3.2 million in 2012 to £1.7 million in 2013.

- *Other operating expenses.* Other operating expenses increased £10.3 million, or 100.0%, from £10.3 million in 2012 to £20.6 million in 2013. This increase was primarily due to exceptional costs of £8.4 million in 2013 compared to £0.5 million in 2012. The exceptional costs in 2013 consisted of £5.1 million in exceptional staff and other costs in connection with the IPO (of which £4.4 million related to share option charges), £2.3 million in connection with goodwill impairment related to the acquisition of AGAML, and £1.0 million in exceptional restructuring costs in connection with the issuance of the 2020 Notes.
- Excluding exceptional items, other operating expenses increased £2.4 million, or 24.5%, from £9.8 million in 2012 to £12.2 million in 2013. The following table sets forth components of our other operating expenses during the periods indicated.

	2012			2013		
	Other operating expenses (£'000)	Exceptional items (£'000)	Other operating expenses excluding exceptional items (£'000)	Other operating expenses (£'000)	Exceptional items (£'000)	Other operating expenses excluding exceptional items (£'000)
Staff costs	6,102	(323)	**5,779**	14,118	(6,112)	**8,006**
Other staff-related costs	967	—	**967**	1,140	—	**1,140**
Premises	529	—	**529**	574	—	**574**
IT	677	—	**677**	913	—	**913**
Depreciation and amortization	835	—	**835**	752	—	**752**
Net foreign exchange losses/(gains)	348	—	**348**	(23)	—	**(23)**
Goodwill impairment	—	—	**—**	2,309	(2,309)	**—**
Other	852	(170)	**682**	795	—	**795**
Total	**10,310**	**(493)**	**9,817**	**20,578**	**(8,421)**	**12,157**

Finance income and costs

Net finance costs increased £5.0 million, or 26.0%, from £19.2 million in 2012 to £24.2 million in 2013. This increase was primarily due to £3.9 million in accelerated amortization and settlement fees recognized in 2013 in connection with the termination of the Old Revolving Credit Facility, and the repayment of the Non-Controlling Interest Loans and partial repayment of the Pre-IPO Shareholder Loans.

Excluding the exceptional costs, net finance costs increased £1.1 million, or 5.7%, from £19.2 million in 2012 to £20.3 million in 2013. This increase was primarily due to £16.0 million of accrued interest expense in relation to the 2020 Notes (compared to nil in 2012). This increase was partially offset by decreases in accrued interest in relation to the Pre-IPO Shareholder Loans (from £14.9 million in 2012 to £1.3 million in 2013, as a result of their partial repayment and conversion of the remaining portion into equity in AGGHL in early 2013), interest and similar charges on bank loans (from £3.5 million in 2012 to £2.0 million in 2013, due to lower amounts outstanding) and the Non-Controlling Interest Loans (from £0.3 million in 2012 to £30,000 in 2013, as a result of their repayment in early 2013).

Taxation charge on ordinary activities

Taxation charge on ordinary activities increased £3.0 million from £2.7 million in 2012 to £5.7 million in 2013. This increase was principally due to increased profits before tax.

The effective tax rate for 2013 was 28.0%, compared to 22.5% in 2012.

The following table sets forth the components of our taxation charge on ordinary activities for the periods indicated.

	2012 (£'000)	2013 (£'000)
Profit before tax	12,148	20,174
Tax charge at standard UK corporation tax rate	2,976	4,697
Adjustment in respect of prior years	81	33
Expenses not deductible for tax purposes	35	887
Rate differences on share based payments	—	(15)
Differences in tax rates	—	(410)
Rate differences on hedging arrangements	—	85
Other	6	—
Unrecognized deferred tax	—	386
Differing overseas tax rates	(362)	—
Taxation charge on ordinary activities	**2,736**	**5,663**

Profit for the period attributable to the equity shareholder

As a result of the foregoing factors, profit for the period attributable to the equity shareholder increased £5.1 million from £9.4 million in 2012 to £14.5 million in 2013.

Balance sheet as of December 31, 2012 compared to balance sheet as of December 31, 2011

Purchased loan portfolios

Purchased loan portfolios increased £58.2 million, or 38.8%, from £150.0 million as of December 31, 2011 to £208.2 million as of December 31, 2012. This increase was principally due to loan portfolio acquisitions (including acquisition costs) of £84.4 million made during 2012, and was partially offset by portfolio amortization.

The movements in purchased loan portfolio assets were as follows:

	2011 £'000	2012 £'000
As of the year brought forward	62,435	150,005
Portfolios acquired during the year	109,744	84,431
Core Collections	(68,248)	(88,720)
Income from purchased loan portfolios	47,493	62,261
Deferred consideration on portfolio acquisition in the period	(400)	—
Exchange gain/(loss) on purchased loan portfolios	42	(200)
Amortization of legal acquisition fees on portfolios	(57)	(230)
Disposal of purchased loan portfolios	(1,820)	(617)
Portfolio write up	816	1,241
As of the year end	**150,005**	**208,171**

Bank loan

Bank loan increased £38.4 million, or 65.1%, from £59.0 million as of December 31, 2011 to £97.4 million as of December 31, 2012, reflecting additional borrowings taken to fund our loan portfolio purchases net of cash generated by the business. As of December 31, 2012, we had £100.0 million due under our Old Revolving Credit Facility, partially offset by £2.6 million of unamortized fees.

Pre-IPO Shareholder Loans

Pre-IPO Shareholder Loans increased from £91.7 million (including accrued but unpaid interest) as of December 31, 2011 to £106.6 million as of December 31, 2012 due to interest compounding on the balance of the Pre-IPO Shareholder Loans.

Statement of comprehensive income for 2012 compared 2011

Total revenue

Total revenue increased £15.9 million, or 31.9%, from £49.9 million in 2011 to £65.8 million in 2012. This increase was principally due to the combined effects of the following:

- *Income from purchased loan portfolios.* Income from purchased loan portfolios increased £14.8 million, or 31.2%, from £47.5 million in 2011 to £62.3 million in 2012 due to the acquisition of new loan portfolios;
- *Portfolio write-up.* Portfolio write-up increased by £0.4 million, or 50.0%, from £0.8 million in 2011 to £1.2 million in 2012, principally due to our forecasting increased Core Collections from our purchased loan portfolios compared to prior years;
- *Income from asset management.* Income from asset management increased £0.4 million, or 28.6%, from £1.4 million in 2011 to £1.8 million in 2012. This increase principally reflected the effect of certain asset management contracts generating revenue for the 12-month period in 2012 compared to less than seven months in 2011 as these contracts commenced in May 2011. Further, a smaller portion of the expected income from asset management contracts was recognized in 2011 compared to 2012 as we had less certainty of receiving payments; and
- *Other income.* Other income increased £0.4 million from £0.1 million in 2011 to £0.5 million in 2012. This increase was due to increased profit on portfolio and loan note sales, which increased £0.5 million from a loss of £25,000 in 2011 to a profit of £0.5 million in 2012. In 2011, we disposed of a portfolio, incurring a loss of £0.4 million while in 2012, we sold a small portfolio of individual voluntary arrangement accounts of approximately £0.7 million, generating a profit of £0.3 million. The increase in other income was partially offset by a lack of interest income and profit on disposal of secured loan notes in 2012, compared to £0.2 million in 2011.

Total operating expenses

Operating expenses increased £6.0 million, or 21.1%, from £28.5 million in 2011 to £34.5 million in 2012. This increase was principally due to the combined effects of the following:

- *Collection Activity Costs.* Collection Activity Costs increased £1.4 million, or 7.7%, from £18.2 million in 2011 to £19.6 million in 2012. Our Collection Activity Costs are largely variable with Core Collections. Our Core Collections increased £20.5 million, or 30.1%, from £68.2 million in 2011 to £88.7 million in 2012. Although our Collection Activity Costs increased, due to our loan portfolio mix, improved supplier terms, scale and improved value-based segmentation, our Collection Cost Ratio decreased from 26.6% in 2011 to 22.1% in 2012.
- *Professional fees and services.* Expenses for professional fees and services increased £1.3 million, or 40.6%, from £3.2 million in 2011 to £4.5 million in 2012. This increase was mainly due to exceptional costs relating to professional fees incurred in connection with the issuance of the Senior Secured Notes. This increase was partially offset by lower exceptional items overall in 2012 compared to 2011. The exceptional items in 2011 and 2012 related to legal expenses. Excluding exceptional items, professional fees and services increased £2.0 million from £1.2 million in 2011 to £3.2 million in 2012.

The following table sets forth the breakdown of professional fees and services for the periods indicated.

	2011 (£'000)	2012 (£'000)
Professional fees and services	3,243	4,548
Exceptional items	(2,085)	(1,386)
Professional fees and services excluding exceptional items	**1,158**	**3,162**

- *Other operating expenses.* Other operating expenses increased £3.1 million, or 43.1%, from £7.2 million in 2011 to £10.3 million in 2012. This increase was primarily due to (a) an increase of £1.4 million in staff costs and other staff-related costs to support our risk and compliance framework, our data analytics team and the growth of the business, (b) an increase of £0.5 million in depreciation and amortization due to amortization of bank arrangement fees relating to the Old Revolving Credit Facility (as the facility was entered into in October 2011 and our overall capacity increased over the following 14 months), and an increase in amortization costs in relation to licenses acquired in 2011 and 2012 and (c) a net foreign exchange loss of £0.3 million in 2012 compared to a net foreign exchange gain of £0.3 million in 2011 as a result of the devaluation of the euro relative to pounds sterling.

The increase in other operating expenses was partially offset by lower exceptional items in 2012 compared to 2011. The exceptional items in 2012 represented advisory fees in connection with our proposed sale by RBS Special Opportunities Fund, and our restructuring. The exceptional items in 2011 represented legal expenses and restructuring costs.

Excluding exceptional items, other operating expenses increased £3.4 million, or 53.1%, from £6.4 million in 2011 to £9.8 million in 2012. The following table sets forth components of our other operating expenses during the periods indicated.

	2011			2012		
	Other operating expenses (£'000)	**Exceptional items (£'000)**	**Other operating expenses excluding exceptional items (£'000)**	**Other operating expenses (£'000)**	**Exceptional items (£'000)**	**Other operating expenses excluding exceptional items (£'000)**
Staff costs	5,289	(645)	**4,644**	6,102	(323)	**5,779**
Other staff-related costs	365	—	**365**	967	—	**967**
Premises	571	—	**571**	529	—	**529**
IT	660	—	**660**	677	—	**677**
Depreciation and amortization	283	—	**283**	835	—	**835**
Net foreign exchange losses/ (gains)	(336)	—	**(336)**	348	—	**348**
Other	318	(141)	**177**	852	(170)	**682**
Total	**7,150**	(786)	**6,364**	10,310	(493)	**9,817**

Finance costs

Net finance costs increased £4.1 million, or 27.2%, from £15.1 million in 2011 to £19.2 million in 2012. This increase was primarily due to an increase in shareholder interest expense (from £11.0 million in 2011 to £14.9 million in 2012), resulting from the compounding of unpaid interest expense on the Pre-IPO Shareholder Loans and a higher outstanding Pre-IPO Shareholder Loans balance due to an additional £25 million loan in May 2011 to support our portfolio purchases. This increase was also due to £0.5 million in fair value losses on interest rate swaps recognized in 2012 compared to nil in 2011. This increase was partially offset by lower interest on bank loans (from £4.0 million in 2011 to £3.5 million in 2012) due to lower cost of borrowings under the Old Revolving Credit Facility.

Taxation charge on ordinary activities

Taxation charge on ordinary activities increased £0.7 million, or 35.0%, from £2.0 million in 2011 to £2.7 million in 2012. This increase was principally due to increased profits from our UK entities.

The effective tax rate for 2012 was 22.5%, compared to 32.3% in 2011.

The following table sets forth the components of our taxation charge on ordinary activities for the periods indicated.

	2011 (£'000)	2012 (£'000)
Profit before tax	6,209	12,148
Tax charge at standard UK corporation tax rate	1,645	2,976
Adjustment in respect of prior years	(4)	81
Current period loss utilization	(1,064)	—
Expenses not deductible for tax purposes	58	35
Other	(158)	6
Differing overseas tax rates	1,529	(362)
Taxation charge on ordinary activities	**2,006**	**2,736**

Profit for the period attributable to the equity shareholder

As a result of the foregoing factors, profit for the period attributable to equity shareholders increased £5.2 million from £4.2 million in 2011 to £9.4 million in 2012.

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 Old Revolving Credit Facility up to, and the Arrow Global Revolving Credit Facility since, January 2013), shareholder loans (including the 2013 Shareholder Loan) and a portion of the proceeds from the offering of the 2020 Notes. In connection with the completion of the offering of the 2020 Notes, we repaid in full the amounts outstanding under the Old Revolving Credit Facility, terminated the facility and entered into the Arrow Global Revolving Credit Facility. We also used a portion of the proceeds from the offering of the 2020 Notes to repay all of our Non-Controlling Interest Loans (including accrued and unpaid interest) and a portion of the Pre-IPO Shareholder Loans (including accrued and unpaid interest). The remainder of the Pre-IPO Shareholder Loans was converted into ordinary shares in AGGHL in January 2013. On August 27, 2014, the 2013 Shareholder Loan was converted into a subordinated loan to AGGHL qualifying as Subordinated Shareholder Funding (under the 2020 Indenture, which has the same meaning in the Indenture).

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 AGG.

The following table sets forth details relating to certain liquidity measures as of the dates indicated.

	As of and for the 12 months ended	
	December 31, 2013	June 30, 2014
	(£m, except multiples and percentages)	
Net debt excluding 2013 Shareholder Loan(1)	172.6	229.8
Net debt including 2013 Shareholder Loan(1)	214.2	271.5
Net debt excluding 2013 Shareholder Loan/Adjusted LTM EBITDA	1.9x	2.4x
Net debt including 2013 Shareholder Loan/Adjusted LTM EBITDA	2.4x	2.9x
Net debt excluding 2013 Shareholder Loan/total equity attributable to shareholder	3.0x	3.4x
Net debt including 2013 Shareholder Loan/total equity attributable to shareholder	3.7x	4.1x
LTV Ratio (i.e., net debt excluding 2013 Shareholder Loan/84-Month Gross ERC)	30.6%	32.8%
Net debt including 2013 Shareholder Loan/84-Month Gross ERC)	38.0%	38.7%

(1) Going forward, net debt will include the outstanding principal amount of the Notes. The following table sets forth the components of net debt as of the dates indicated.

	December 31, 2013 (£m)	June 30, 2014 (£m)
2020 Notes/Senior secured notes[a] (pre-netting of transaction fees)	220.0	220.0
Arrow Global Revolving Credit Facility/Revolving credit facility[c]	—	26.9
Cash and cash equivalents	(47.4)[d]	(17.1)[d]
Net debt excluding 2013 Shareholder Loan	**172.6**	**229.8**
2013 Shareholder Loan	41.7	41.7
Net debt including 2013 Shareholder Loan	**214.2**	**271.5**

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

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

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

(d) Includes the cash proceeds of the 2013 Shareholder Loan.

As noted in the table above, as of June 30, 2014, our LTV ratio (excluding the 2013 Shareholder Loan) was 32.8% compared to the LTV Ratio under the Arrow Global Revolving Credit Facility of 75%, meaning that we had ERC headroom of £395 million. As of June 30, 2014, giving effect to the Capquest Acquisition, the Loan Conversion, the Offering and the use of proceeds therefrom and cash on hand (including to repay the Capquest Group's existing debt and a portion of the amounts drawn under the Arrow Global Revolving Credit Facility), our as adjusted net debt to 84-Month Gross ERC ratio would have been 45.1%, meaning that we would have had ERC headroom of £356 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. For loan portfolios purchased in the UK, approximately 75% of our Core Collections are derived from long-term payment plans with small, regular, annuity-like payment arrangements and the remaining 25% are on settlement arrangements, which can include a discount to the face amount of the loan outstanding. Given our 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.

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, and converted 70.1% of our Core Collections to Adjusted EBITDA in H1 2014 (H1 2013: 69.5%; 2013: 70.1%;

2012: 69.8%; and 2011: 64.9%). 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—Operating cash flow generation before purchases of loan portfolios and loan notes.''

H1 2014 compared to H1 2013

Adjusted EBITDA increased £5.1 million, or 11.8%, from £43.4 million in H1 2013 to £48.5 million in H1 2014. This increase was principally due to an increase in Core Collections of £6.8 million, from £62.5 million in H1 2013 to £69.3 million in H1 2014, and decrease in our Collection Cost Ratio from 22.9% in H1 2013 to 22.6% in H1 2014. Our Core Collections increased by 10.9% from H1 2013 to H1 2014 while our Collection Activity Costs increased by 9.1%. Our Adjusted EBITDA ratio, which is the ratio of Adjusted EBITDA to Core Collections, decreased from 69.5% in H1 2013 to 70.1% in H1 2014.

2013 compared to 2012

Adjusted EBITDA increased £27.7 million, or 44.7%, from £61.9 million in 2012 to £89.6 million in 2013. This increase was principally due to an increase in Core Collections of £39.1 million compared to 2012. The improvements in our data analytics, scale and value-based segmentation reduced our Collection Cost Ratio from 22.1% in 2012 to 21.9% in 2013. Therefore, while our Core Collections increased by £39.1 million, our Collection Activity Costs only increased by £8.4 million. This increase was partially offset by an increase in our operating expenses, from £34.5 million in 2012 to £50.3 million in 2013, as we increased headcount in risk and compliance, data and analytics functions, and became part of a publicly listed group subsequent to the IPO. As a result of the foregoing, our Adjusted EBITDA ratio improved from 69.8% in 2012 to 70.1% in 2013.

2012 compared to 2011

Adjusted EBITDA increased £17.6 million, or 39.7%, from £44.3 million in 2011 to £61.9 million in 2012. This increase was principally due to an increase in Core Collections of £20.5 million compared to 2011. The improvements in our data analytics, scale and value-based segmentation reduced our Collection Cost Ratio from 26.6% in 2011 to 22.1% in 2012. Therefore, while our Core Collections increased by £20.5 million, our Collection Activity Costs only increased by £1.4 million. The increases in our income from asset management of £0.4 million further offset increases in our operating expenses as we increased headcount in risk and compliance, data and analytics functions. As a result, our Adjusted EBITDA ratio improved from 64.9% in 2011 to 69.8% in 2012.

Cash flow

The following table summarizes the principal components of our consolidated cash flows for the periods under review:

	2011 (£'000)	2012 (£'000)	2013 (£'000)	H1 2013 (£'000)	H1 2014 (£'000)
Net cash flow from operating activities before purchases of loan portfolios and loan notes	35,043	49,242	79,312	40,361	43,199
Purchases of loan notes	—	—	(1,798)	(1,798)	—
Purchases of loan portfolios	(109,744)	(84,431)	(84,308)	(50,702)	(91,197)
Net cash flow from operating activities	(74,701)[(1)]	(35,189)	(6,794)	(12,139)	(47,998)
Net cash flow from investing activities	(1,777)[(1)]	(719)	(17,371)	(18,092)	(81)
Net cash flow from financing activities	78,224	39,107	62,129	30,651	17,699
Net increase (decrease) in cash and cash equivalents	**1,746**	**3,199**	**37,964**	**420**	**(30,380)**

(1) As restated. See discussion in presentation of net cash flows from operating activities and net cash flows from investing activities in ''Summary Consolidated Historical Financial and Other Data.''

Net cash flow from operating activities before purchases of loan portfolios and loan notes

H1 2014 compared to H1 2013

Net cash flow from operating activities before purchases of loan portfolios and loan notes increased £2.8 million, or 6.9%, from £40.4 million in H1 2013 to £43.2 million in H1 2014. This increase was primarily due to increased collections (£69.3 million in H1 2014 compared to £62.5 million in H1 2012) resulting in increased income from purchased loan portfolios (£49.9 million in H1 2014 compared to £42.7 million in H1 2013).

2013 compared to 2012

Net cash flow from operating activities before purchases of loan portfolios and loan notes increased £30.1 million, or 61.2%, from £49.2 million in 2012 to £79.3 million in 2013. The increase was primarily due to increased collections (£127.8 million in 2013 compared to £88.7 million in 2012) resulting in increased income from purchased loan portfolios (£87.3 million in 2013 compared to £62.3 million in 2012), as well as an increase in interest on secured loans of £15.9 million in 2013 from nil in 2012.

2012 compared to 2011

Net cash flow from operating activities before purchases of loan portfolios and loan notes increased £14.2 million, or 40.6%, from £35.0 million in 2011 to £49.2 million in 2012. The increase was primarily due to increased collections (£88.7 million in 2012 compared to £68.2 million in 2011), and was partially offset by a £3.2 million increase in income taxes and overseas taxation paid.

Purchases of loan portfolios and loan notes

H1 2014 compared to H1 2013

Purchases of loan portfolios increased £40.5 million, or 79.9%, from £50.7 million in H1 2013 to £91.2 million in H1 2014. This increase primarily reflected large portfolio purchases in Portugal in June 2014.

2013 compared to 2012

Purchases of loan portfolios decreased slightly from £84.4 million in 2012 to £84.3 million in 2013. We, however, purchased £1.8 million in loan notes during 2013 (compared to nil in 2012).

2012 compared to 2011

Purchases of loan portfolios decreased £25.3 million, or 23.1%, from £109.7 million in 2011 to £84.4 million in 2012. This decrease primarily reflected the timing of our loan portfolio purchases (in

December 2012, we entered into an agreement to acquire an entity holding loan portfolios; the acquisition of the entity (subsequently renamed Arrow Global Accounts Management Limited) was completed in, and is included in our financial statements from, February 2013).

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'' and ''—Purchases of loan portfolios and loan notes'' above.

Net cash used in investing activities

H1 2014 compared to H1 2013

Net cash used in investing activities decreased from £18.1 million in H1 2013 to £81 thousand in H1 2014. H1 2013 included an investment of £17.8 million (net of cash acquired) for the acquisition of AGAML.

2013 compared to 2012

Net cash used in investing activities increased £16.7 million from £0.7 million in 2012 to £17.4 million in 2013. This increase was due to an investment of £17.8 million (net of cash acquired) for the acquisition of AGAML, and expenditure of £1.4 million in connection with the repurchase of shares in AGGHL. This increase was partially offset by receipts of £2.4 million in connection with the sale of shares in AGGHL.

2012 compared to 2011

Net cash used in investing activities decreased £1.1 million, or 61.1%, from £1.8 million in 2011 to £0.7 million in 2012. This decrease was primarily due to lower purchases of intangible assets (£0.7 million in 2012 compared to £1.7 million in 2011).

Net cash flow generated by financing activities

H1 2014 compared to H1 2013

Net cash generated by financing activities decreased £13.0 million, or 42.3%, from £30.7 million in H1 2013 to £17.7 million in H1 2014. This was primarily due to the combined effects of (a) payment of interest on the 2020 Notes and increased amounts outstanding under the Arrow Global Revolving Credit Facility (£26.9 million in H1 2014 compared to proceeds of £6.9 million from other loans in H1 2013) in H1 2014 and (b) the repayment of the Shareholder Loan, the Non-Controlling Interest Loan and the Old Revolving Credit Facility, and the issuance of the 2020 Notes, in H1 2013.

2013 compared to 2012

Net cash generated by financing activities increased £23.0 million, or 58.8%, from £39.1 million in 2012 to £62.1 million in 2013. This was primarily due to inflows in 2013 in the form of the 2020 Notes (£210.6 million, net of fees) and net proceeds of the IPO (£41.7 million) (which were partially offset by the repayment of the Pre-IPO Shareholder Loans (£77.4 million), the Non-Controlling Interest Loan (£2.7 million) and the Old Revolving Credit Facility (£106.9 million), and interest payments on the 2020 Notes (£10.2 million)) being greater than inflows in 2012 in the form of borrowings under the Old Revolving Credit Facility (£92.9 million) (which was partially offset by increased repayments under the Old Revolving Credit Facility).

2012 compared to 2011

Net cash generated by financing activities decreased £39.1 million, or 50.0%, from £78.2 million in 2011 to £39.1 million in 2012. This decrease was primarily due to increased repayment of bank loan (£53.8 million in 2012 compared to £7.0 million in 2011), and was partially offset by increased proceeds from additional loans (£92.9 million in 2012 compared to £85.3 million in 2011).

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 H1 2014, we generated Core Collections of £69.3 million, resulting in an Adjusted EBITDA for the period of £48.5 million, which in turn converted into £47.5 million of free cash flow pre-financing, taxes and portfolio purchases at a 97.8% 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.

	2011 (£'000)	2012 (£'000)	2013 (£'000)	H1 2013 (£'000)	H1 2014 (£'000)
Income from purchased loan portfolios	47,493	62,261	87,330	42,719	49,925
Portfolio amortization	20,755	26,459	40,510	19,790	19,340
Core Collections/Collections in the period[(1)]	**68,248**	**88,720**	**127,840**	**62,509**	**69,265**
Income from asset management	1,447	1,818	1,392	719	1,179
Other income/profit/(loss) on portfolio and loan note sales[(2)]	130	520	1,132	127	504
Operating expenses	(28,545)	(34,503)	(50,293)	(23,535)	(27,402)
Depreciation and amortization	283	835	752	365	391
Foreign exchange (gains)/losses[(3)]	(307)	348	(23)	(295)	780
Amortization of acquisition and bank facility fees[(4)]	187	2,323	359	232	139
Share-based payments	—	—	—	—	250
Exceptional/non-recurring items[(5)]	2,871	1,879	8,421	3,314	3,430
Adjusted EBITDA	**44,314**	**61,940**	**89,580**	**43,436**	**48,536**
Net cash used in investing activities[(6)]	(1,777)	(719)	(484)	(266)	(81)
Working capital adjustments[(7)]	(3,518)	(2,406)	544	4,370	(997)
Free cash flow pre-financing, taxes and portfolio purchases[(8)]	**39,019**	**58,815**	**89,640**	**47,540**	**47,458**
Cash conversion ratio[(9)]	88.1%	95.0%	100.1%	109.4%	97.8%

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

(2) Consists of profit/(loss) on portfolio and loan note sales, interest income from secured loan notes, and interest income, as applicable.

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

(4) The following table sets forth the items in our consolidated cash flow statements during the periods under review that amortization of acquisition and bank facility fees that are not considered non-recurring forms a component of.

	2011 (£'000)	2012 (£'000)	2013 (£'000)	H1 2013 (£'000)	H1 2014 (£'000)
Acquisition costs	60	487	359	232	139
Bank arrangement/facility fees and bond fee amortization	127	1,836	557	558	—
Total amortization of acquisition and bank facility fees	**187**	**2,323**	**916**	**790**	**139**

Only the acquisition costs component is included in the reconciliation for H1 2013 because the bank arrangement/facility fees and bond fee amortization component is reflected under finance income and costs.

(5) Exceptional/non-recurring items are those that are separately identified by virtue of their size and incidence to allow a full understanding of our underlying performance. See note (5) under ''—Purchased Loan Portfolios, Return on Purchased Loan Portfolios and Adjusted EBITDA—Operating cash flow generation before purchases of loan portfolios and loan notes'' above for a breakdown of exceptional/non-recurring items during the periods under review.

(6) Comprises leasehold improvements, computer equipment, furniture and software licenses. See ''—Capital expenditure'' below.

(7) Working capital adjustments include the net movement on debtors and creditors, excluding our revolving credit facilities, the Shareholder Loan and related accrued interest, the 2020 Notes and related accrued interest, the Non-Controlling Interest

Loans and related accrued interest but including financing costs amortization relating to such borrowings, and corporation tax debtors and creditors. The following table sets forth the working capital movements based on our consolidated cash flow statements for the periods under review.

	2011 (£'000)	2012 (£'000)	2013 (£'000)	H1 2013 (£'000)	H1 2014 (£'000)
Deferred consideration	999	1,065	—	—	—
Increase in other receivables	3,962	1,602	4,675	2,456	3,234
Amortization of legal acquisition fees on portfolios and financing costs	(57)	(230)	(3,594)	(3,594)	—
Increase in trade and other payables	(1,386)	(31)	(1,525)	(3,232)	(2,119)
Cash from secured loan notes from third party	—	—	(100)	—	(118)
Working capital adjustments	**3,518**	**2,406**	**(544)**	**(4,370)**	**997**

(8) 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.

(9) Represents free cash flow pre-financing, taxes and portfolio purchases as a proportion of Adjusted EBITDA.

Borrowings

As of June 30, 2014, we had non-current financial indebtedness of £212.6 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. Interest is payable on the 2020 Notes on March 1 and September 1 of each year, beginning on September 1, 2013. The 2020 Notes will mature on March 1, 2020.

Similar to the Notes, the 2020 Notes are guaranteed on a senior basis by the Guarantors. Similar to the Notes, the 2020 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 share capital of the Issuer, the Subsidiary Guarantors and AGIHL.

The 2020 Indenture contains covenants that are substantially similar to the covenants in the Indenture. Among other things, the 2020 Indenture contains 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 2020 Indenture also limits, 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 2020 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

In January 2013, certain entities in the Group entered into the Arrow Global Revolving Credit Facility with The Royal Bank of Scotland plc as facility agent. The Arrow Global Revolving Credit Facility originally provided for £40 million of committed financing, which was subsequently increased to £55 million (the ***Total Commitments***). The Total Commitments are available for utilization by way of cash revolving loans, and by way of ancillary facilities, from the date of the Arrow Global Revolving Credit Facility, until December 29, 2017, 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.

The original borrower under the Arrow Global Revolving Credit Facility is Arrow Global Limited. 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 2020 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 3.50% per annum, subject to a margin ratchet based on the LTV Ratio (as defined below) at each quarter end.

The Arrow Global Revolving Credit Facility contains customary information and negative covenants (including certain restrictive covenants that replicate those 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, our financial and operating performance is monitored by two financial covenants, which require us to ensure that:

- the LTV Ratio does not exceed 0.75:1, where ''LTV Ratio'' means, in respect of any date of calculation, the aggregate indebtedness of the Group less cash and cash equivalent investments held by the 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 Group from all portfolio accounts owned by members of the Group during the period of 84 months, as calculated by our 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 0.25:1, where ''SSLTV Ratio'' in summary means, in respect of a date of calculation, the aggregate amount of all obligations of members of the Group under the Arrow Global Revolving Credit Facility and any hedging agreement at that time, less cash and cash equivalent investments held by the Group at such date, divided by Gross ERC.

These financial covenants are tested quarterly.

Subject to certain conditions, the 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) for a prepayment of £25 (or its equivalent) for a cancellation. 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.

As of June 30, 2014, £26.9 million was drawn under the Arrow Global Revolving Credit Facility. Between January 1, 2014 and June 30, 2014, the maximum amount drawn under the Arrow Global Revolving Credit Facility was £26.9 million. We expect to use a portion of the net proceeds of the Offering, together with cash on hand, to repay £19.2 million of the amounts drawn under the Arrow Global Revolving Credit Facility.

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.

Capital expenditure

Our capital expenditure comprises leasehold improvements, computer equipment, furniture and software licenses.

We expect our capital expenditure for the rest of 2014 to be consistent with our capital expenditures during the periods under review.

Capital expenditures decreased from £0.3 million in H1 2013 to £81 thousand in H1 2014. The key expenditure in H1 2013 included new software licenses.

Capital expenditures decreased from £0.7 million in 2012 to £0.5 million in 2013. The key expenditure in 2013 included new software licenses.

Capital expenditures decreased from £1.8 million in 2011 to £0.7 million in 2012. The key expenditure in 2012 included the development of the PCB.

Contractual obligations and commercial commitments

The following table sets forth as of June 30, 2014, a summary of our contractual obligations and commercial commitments, giving effect to the Offering and the use of proceeds therefrom, the Loan Conversion, and the increase in Total Commitments under the Arrow Global Revolving Credit Facility to £100 million post completion of the Capquest Acquisition.

	Payments to be made by period				
	Less than 1 year (£'000)	**From 1 to 3 years (£'000)**	**From 3 to 5 years (£'000)**	**5 or more years (£'000)**	**Total (£'000)**
Notes offered hereby[(1)]	—	—	—	180,101[(1)]	180,101[(1)]
2020 Notes/Senior secured notes[(2)]	17,325	34,650	34,650	235,786	322,411
Fees payable under Arrow Global Revolving Credit Facility[(3)]	1,500	3,000	2,375	—	6,875
Operating lease obligations[(4)]	239	784	449	507	1,979
Purchase obligations	—	—	—	—	—
Total	**19,064**	**38,434**	**37,474**	**416,394**	**511,366**

(1) Comprises €225.0 million aggregate principal amount of the Notes (including debt issuance costs), converted into pounds sterling at the rate of €1.2493 per £1.00, the Bloomberg Composite Rate as of June 30, 2014. Does not include interest payments.

(2) Includes interest costs.

(3) Reflects utilization fees payable under the Arrow Global Revolving Credit Facility, as increased to £100 million post completion of the Capquest Acquisition, regardless of drawings. Utilization fees payable on drawings under the Arrow Global Revolving Credit Facility will differ. Does not reflect amounts (or interest thereon) that may be drawn under the Arrow Global Revolving Credit Facility.

(4) Operating lease payments represent rentals payable for certain of our office properties and IT equipment.

Off-Balance Sheet Arrangements

As of June 30, 2014, we had no off-balance sheet arrangements.

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 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% higher relative to sterling than those at the balance sheet date and all other variables were held constant, our net assets and net profit for each denomination of currency would increase/(decrease) as follows:

	Equity and net assets		Net profit	
	December 31, 2013 (£'000)	June 30, 2014 (£'000)	H1 2013 (£'000)	H1 2014 (£'000)
Euro (EUR)	(395)	(4,030)	(685)	(1,029)
US Dollar (USD)	2	2	—	—
Polish Zloty (PLN)	(7)	(8)	—	—
	(400)	**(4,036)**	**(685)**	**(1,029)**

If foreign exchange rates had been 10% lower relative to sterling than those at the balance sheet date and all other variables were held constant, our net assets and net profit for each denomination of currency would increase/(decrease) as follows:

	Equity and net assets		Net profit	
	December 31, 2013 (£'000)	June 30, 2014 (£'000)	H1 2013 (£'000)	H1 2014 (£'000)
Euro (EUR)	483	4,925	838	1,258
US Dollar (USD)	(2)	(3)	—	—
Polish Zloty (PLN)	8	9	—	—
	489	**4,931**	**838**	**1,258**

The increased sensitivity to movements in the euro relative to the sterling between December 31, 2013 and June 30, 2014 was due to the acquisition of significant euro-denominated portfolios in Portugal during H1 2014.

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 and exposure to currency rate fluctuations.

We have entered into certain forward contracts and options to mitigate the risk in our portfolio due to foreign currency cash flows in Portugal. The collection remittances are received in euro. We has entered into the forward foreign exchange contracts (on terms provided in the table below) to mitigate the exchange rate risk arising from these anticipated future cash flows.

As of June 30, 2014, the aggregate amount of gains under forward foreign exchange contracts that have been recognized within profit and loss in the consolidated statement of comprehensive income relating to the exposure on these anticipated future transactions was £16,000 loss (December 31, 2013: £79,000 loss).

Interest rate risk

We are exposed to interest rate risk on our loan portfolio financing arrangements and cash and cash equivalents. As of June 30, 2014, we had in place an interest rate swap for a notional amount of £66.7 million (December 31, 2013: £66.7 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 H1 2014 would decrease/increase by £193,000 (H1 2013: £90,000).

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 H1 2014 and all other variables were held constant, our profit recorded in the consolidated statement of comprehensive income would have increased/decreased by £11,000 (H1 2013: £2,000).

The following table sets forth details relating to our interest rate hedges.

Outstanding contracts	Notional value at June 30, 2014 (£'000)	Maturity date	Fair value at June 30, 2014 (£'000)
Interest rate swap	40,000	October 10, 2014	(45)
Interest rate swap	26,667	February 10, 2018	399
Balance sheet asset			354
Total loss recognized in consolidated statement of comprehensive income			(89)

Following the completion of the offering of the Notes, in the absence of hedging arrangements with respect to the Notes, we expect our interest rate risk to increase. We expect to enter into hedging arrangements with respect to the principal amount of and interest payable under the Notes.

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 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 reassesses and adjusts 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 records 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 ERC model.

Exceptional/non-recurring items

Exceptional/non-recurring 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 Group. Such items typically include certain legal expenses and restructuring expenses.

Recent Accounting Pronouncements

See note 2 to the consolidated financial statements 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, settlement 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 who 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, namely the UK and Portugal. 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:

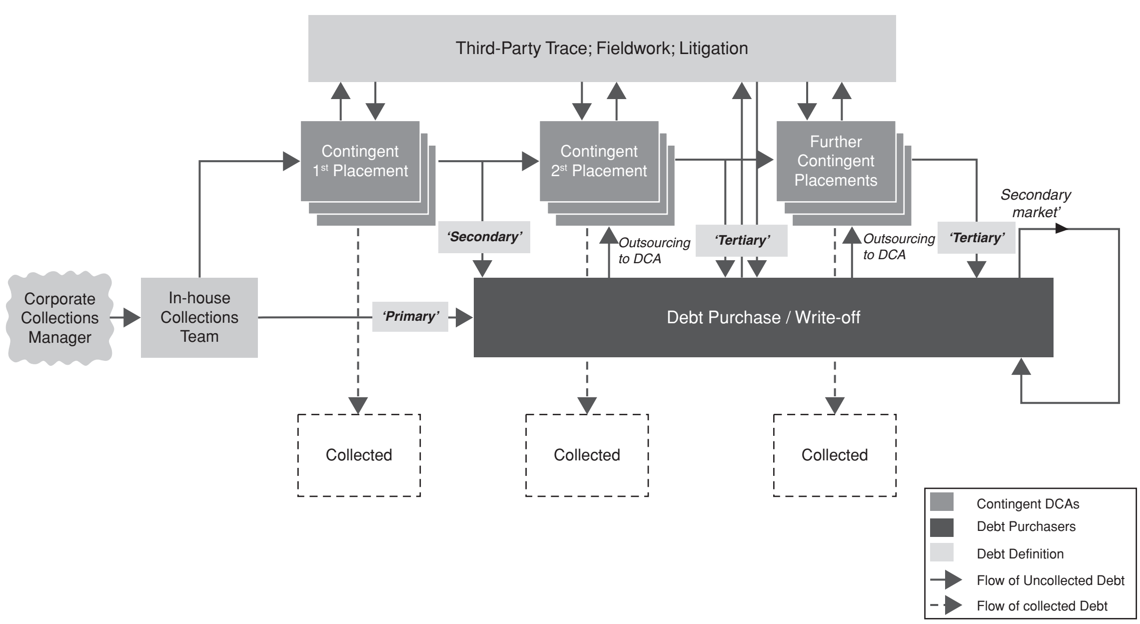
- **Origination of debt.** A customer obtains credit from a Debt Originator. The financial services industry has historically been the largest source of credit for consumers, but short or long-term consumer credit has also become a core component of business models across other sectors, including telecommunications, home retail credit, utility companies and, more recently, 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 4 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 mixture 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 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 who 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.

Subsequent to the Capquest Acquisition, we will operate a dual model (consisting of both debt purchases and DCA operations). We believe that the DCA business that we operate will utilize the technology and sophisticated collections methodology of our debt purchase business. We also believe that the dual model will enable us to use trend information apparent during the DCA stage to price debt portfolios more accurately or collect on debt portfolios more effectively.

Rationale for debt repayment by customers (debtors)

Customers have many incentives to repay their debts. Credit reports are an increasingly important component of daily life. A number of credit providers (including banks, telecommunications providers, utility companies, and retailers) use consumer credit reports extensively before entering into a commercial relationship with a customer and to assess and manage those relationships on an ongoing basis. A poor credit score or unpaid debt can restrict a customer's access to such services at an affordable rate, if at all. An improved credit score, which may be available to a customer through the repayment of outstanding defaulted and undefaulted debt, provides a powerful incentive. Furthermore, repayment amounts established through long-term repayment plans tend to be small, which makes such repayment plans more affordable for the customer.

Debt purchasers' value-add in the debt collection process

Potential debt collections are determined not only by the ability or willingness of the customer to repay the defaulted debt, but also by the ability of DCAs and debt purchasers to identify and locate that individual, accurately assess his or her personal circumstances using data analytics and offer a suitable repayment solution. This is often hindered by gaps or flaws in the customer's information caused by a customer's mobility, flawed or incomplete information gathering and storage, as well as, in the case of the UK, the absence of a national identity system that can be used by creditors, all of which impairs the ability to trace non-paying customers effectively. Our data enhancement techniques enable us to repair customers' data by reflecting correct circumstances, which is an important step in creating the right customer profile. A greater ability to locate customers and assess their financial circumstances to make appropriate payment requests leads to an increased ability to price debt portfolios appropriately pre-purchase and collect successfully on debt portfolios post-purchase. Improving and verifying data prior to use in the recovery process also improves customer experience and is an important regulatory guideline requirement and a core regulatory compliance step.

Many Debt Originators have constraints with their IT systems and operational capabilities to repair data and collect defaulted debt effectively. The efficient collection of defaulted consumer debt requires a very specific set of skills that debt purchasers have built up over time. Operational and accounting drivers enable debt purchasers to typically use recovery strategies which have longer collection time frames than recovery strategies typically used by Debt Originators and DCAs. These longer-term recovery strategies justify debt purchasers' investment in data analytics to enhance data quality and maximize lifetime collections value while ensuring an effective and compliant customer experience. Larger debt purchasers are advantaged in having capabilities that help to correct distressed data (i.e. data with gaps or flaws) because they have more data assets and scale. They can also compare portfolios across multiple Debt Originators and, in some instances, own or manage defaulted accounts for the same individual across multiple Debt Originators. This provides opportunities to correct distressed data and formulate tailored repayment plans for the relevant individuals. Larger debt purchasers typically have greater scale, better developed relationships with relevant credit bureau and access to data sharing closed-user groups, all of which allow them to be effective collectors of consumer debts relative to Debt Originators and DCAs.

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 unsecured consumer debt available, in turn, is defined by 1) the existing originator stock of defaulted unsecured consumer debts and 2) the amount of new defaulted debt generated from the stock of unsecured 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, 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 and can vary, depending upon the composition of the portfolio). In the case of Paying Accounts, debt purchasers acquire annuity-like cash flow streams, while for non-Paying Accounts (primary, secondary, and tertiary), they 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 this is therefore reflected in lower pricing of such accounts. This drives the variance in indicative pricing for various types of non-Paying Accounts and Paying Accounts.

An illustrative overview of key characteristics for 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 for 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) 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 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 on 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 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 defaulted loan portfolios across a number of sectors in both the UK and Portugal (although predominantly focused 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 highest 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.** 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, HM Revenue & Customs and Department for Work and Pensions. Debt sales from the government sector have, to date, mostly consisted of the sale of student loans. However, we believe that the government 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.

In the UK, 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.

Overview of the UK Defaulted Debt Purchase Market

The UK has high levels of unsecured consumer indebtedness with an estimated £335 billion of outstanding balances as of December 31, 2013 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. Annual creation of defaulted unsecured consumer debts (including financial services, telecommunication, retail, utilities, and government debts) has been between approximately £10 billion and £21 billion per annum in the UK since 2005.

Key UK debt purchase market drivers and trends

Unsecured consumer borrowing is a structural feature of the UK economy and has been growing steadily following a slight contraction during the recession following the 2008 financial crisis; volumes at the end of 2013 of approximately £335 billion reached levels similar to those of 2008 of approximately £334 billion. As of December 31, 2013, the total stock of unsecured consumer lending comprised £219 billion of financial services debt, £23 billion of telecommunications debt, £30 billion of utilities debt, and £63 billion of government debt, according to OC&C.

At the same time, the volume of new defaulted loans, which peaked in 2010 driven by a high growth in annual defaults of financial services debt in 2009 and 2010, reduced significantly over the course of 2011 to reach more normalized levels. There was an estimated £10.0 billion of new defaulted unsecured consumer debt in the UK market at the end of 2013, of which £5.4 billion was financial services debt, £0.5 billion was telecommunications debt, £1.6 billion was utilities debt, and £2.5 billion was government debt, according to OC&C. Delinquency rates on unsecured consumer debt, which peaked at 6.7% at the end of 2009, have reduced to 3.0% at the end of 2013, according to OC&C.

In addition to operational and financial considerations driving debt sale as a recovery strategy for Debt Originators, we believe that a number of external factors are contributing to further sale activity in the UK

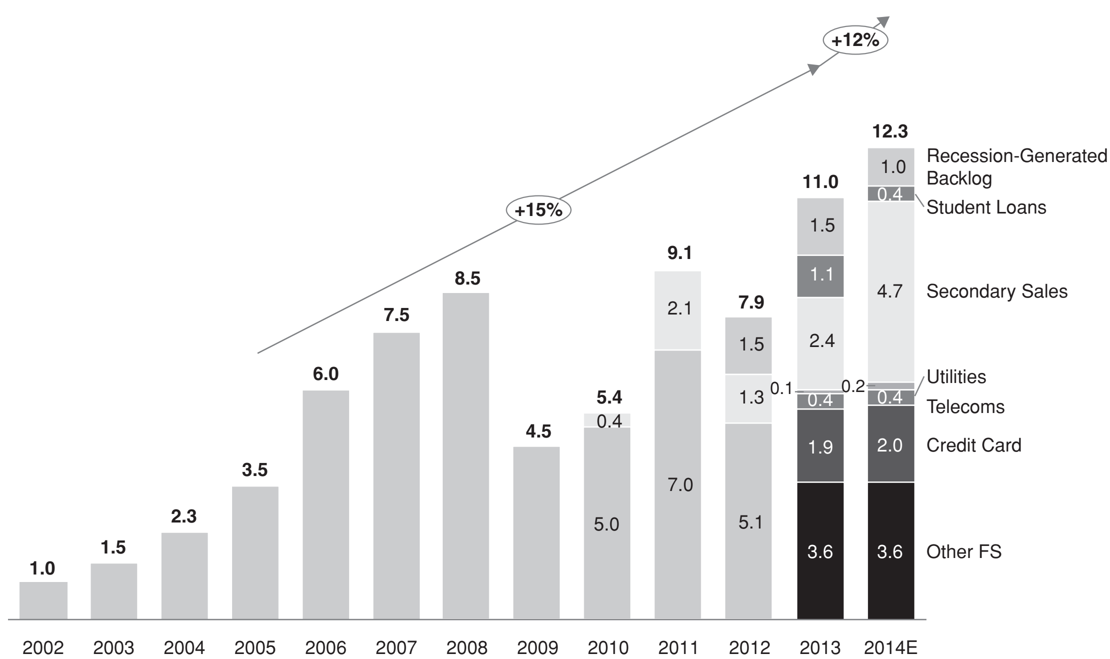
For example, banks face a time limit as to when they can sell their debt because of the statute of limitations applicable in the UK, which does not allow a creditor to legally enforce payment obligations in respect of a defaulted consumer debt either five years (in the case of Scotland) or six years in the case of England, Wales and Northern Ireland) after the last written and signed acknowledgement of the debt by the customer or partial payment by the customer.. In addition, we believe that regulatory capital and liquidity requirements for banks are leading to further sales of defaulted debts, in an effort by banks to improve their balance sheets. The ongoing tightening of capital rules (including Basel III) and the potential capital improvement from the proceeds of written-off debt may make selling non-performing loans more appealing to banks.

The onset of the financial crisis in 2008 resulted in a substantial withdrawal of funding supply from debt purchasers operating in the sector and an increased cost of funding for those debt purchasers that remained active. Reduced funding supply, coupled with a difficult collections environment, resulted in the exit of many debt purchasers from the market. From 2008 to 2010, the sector went through a period of slower activity as competition waned and transaction prices decreased significantly, thus reducing Debt Sellers' appetite to sell defaulted debt. Therefore, during this period, a high proportion of defaulted consumer debt was serviced in-house or by DCAs. In comparison with a 23% share of the pool of defaulted consumer debt sold in 2007 to debt purchasers, it is estimated that only 10% and 11% of defaulted consumer debt was sold to debt purchasers in 2009 and 2010, respectively, according to OC&C. However, the propensity of Debt Sellers to sell defaulted debt has recovered to pre-recession levels (an estimated 20% in 2013) with significant headroom for further growth, according to OC&C.

In addition to the above underlying market trends, the compounded impact between 2008 and 2010 of an increase in defaults, a lack of funding available to debt purchasers and a decrease in the level of debt sales created a backlog of unsold defaulted debt. The stock of defaulted debt held by Debt Originators, which peaked at £29.5 billion at the end of 2010 has now declined to pre-recession levels (£19.6 billion at the end of 2013) and is expected to continue to decline, as the recession-generated backlog is being cleared.

The figure below shows the development of debt sale volumes by face value since 2002, including the contribution from secondary sales and sale of recession-generated backlog.

Face value of debt sold in the UK, 2002-2013 in £ billions

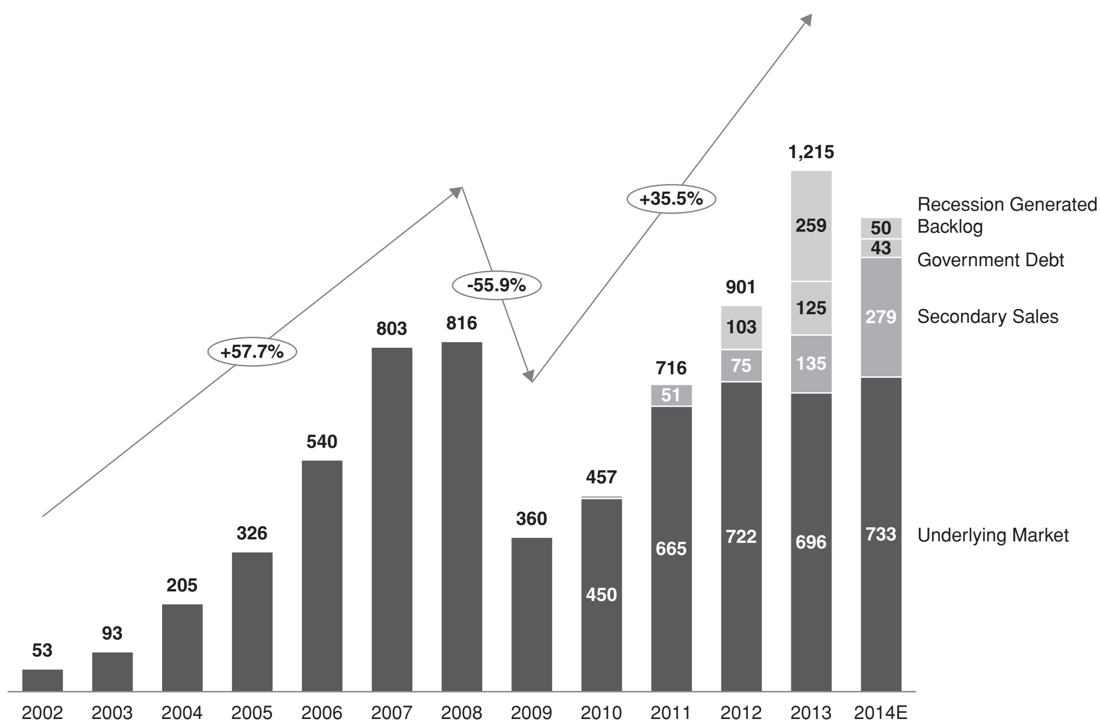


Source: OC&C

Beginning in 2010, the debt purchasing market returned to growth, driven by the accumulation of assets that could be sold, availability of funding and the increasing willingness of Debt Originators to sell debt given increasing pressure to reduce the costs of holding and managing defaulted debt. In 2013, 20% of creditors' total pool of defaulted consumer debt was sold. The rise of secondary sales activity and the sale of student loan portfolios by the UK government have further accelerated this growth. At the end of 2013, the total face value of debt sold in the UK market amounted to £11.0 billion, and is expected to grow further during 2014, according to OC&C. When measured by purchase prices, according to OC&C, total volumes amounted to £1.2 billion in 2013, and are expected to decrease in 2014 as the recession-generated backlog winds down.

Prices paid for portfolio purchases represent another significant factor of the growth of the debt purchase market measured by purchase value. Prices peaked in 2007 due to the availability of cheap funding combined with greater competition between undifferentiated debt purchasers. However, price levels decreased overall during the market dislocation in 2009, 2010 and 2011 as a result of lower capital availability among debt purchasers. Although following the market dislocation there has been heightened competition in the debt purchase market, leading to increased prices during 2012 (followed by a decrease in 2013), we believe that improvements in collection efficiency and data enhancement capabilities mean that there are still opportunities for debt purchasers to target attractive returns.

Spend on debt by debt purchasers in the UK, £m



Source: OC&C

Despite volume increases across the sector, the number of market participants is not expected to return to the high levels seen in 2006 and 2007 as individual debt sales are typically larger and Debt Sellers increasingly tend to prefer focusing on smaller panels of pre-approved, well-known purchasers.

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 into 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
- need to create complementary platforms to leverage 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.

Recently the industry has also witnessed a number of new entrants as several international participants from the Scandinavian and the 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, following the transfer of responsibility for consumer credit regulation from the OFT to the FCA on April 1, 2014, the FCA is undertaking, and plans to undertake in future, a variety of investigatory work in the consumer credit market which may well result in new regulatory obligations being imposed and increase the regulatory burden for specific sub-sectors, or the industry as a whole. The FCA is already showing a desire to stamp out what it perceives to be poor conduct. For example, according to its website, the FCA has already 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 UK Debt Collection Market

The debt collection market in the UK experienced growth from 2000 to 2013, despite slight declines in the volume of unsecured consumer debt originated since 2008. Outsourced debt collection volumes continued to increase both through the financial crisis of 2008 and thereafter. 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.

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 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. The stock of defaulted consumer debt capable of being sold has increased by 90% from 2010 to approximately €19 billion in 2013. 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 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, this presents an opportunity for debt purchasers of establishing 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 demonstrating the strength of our brand in European markets and providing further evidence of an increasing propensity to sell by European banks. See ''Business—Our Current Operations—Portuguese product and service offerings'' for more information.

BUSINESS

Overview

We are one of the UK's largest providers of debt purchase and receivables management solutions measured by 120-Month Gross ERC, which stood at £827.3 million as of June 30, 2014.

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.

As of June 30, 2014, we owned and managed defaulted debt portfolios with an aggregate face value of £10.6 billion, including £8.3 billion of purchased loan portfolios (£352.8 million based on book value) and approximately 5.4 million owned customer accounts. Our Adjusted EBITDA, which we believe is representative of our operating cash generation, has grown from £44.3 million in the year ended December 31, 2011 to £94.7 million in the 12 months ended June 30, 2014. As of June 30, 2014, 79.7% (by purchase price) and 72.5% (by 120-Month Gross ERC) of the defaulted debt portfolios that we had purchased were originated in the UK, with the remaining 20.3% (by purchase price) and 27.5% (by 120-Month Gross ERC) having been originated in Portugal. As of June 30, 2014, 83.6% of our defaulted debt portfolios across the UK and Portugal (by purchase price) were financial services loan portfolios (with the remaining consisting of retail, telecommunications and student loan portfolios). 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, approximately 75% of our Core Collections are derived from long-term payment plans with small, regular, annuity-like payment arrangements and the remaining 25% are on settlement arrangements, which can include a discount to the face amount of the loan outstanding. Our average monthly payment received during the three months ended June 30, 2014 for our UK loan portfolios was £21.24.

We believe that debt purchasers such as us will continue to play a 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 (without charging customers additional interest or penalties on their defaulted accounts, excluding statutory interest) 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 creates strong incentives for customers to continue paying once a repayment plan has been established.

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, many debt purchasers face significant data limitations in valuing an account prior to purchase. 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. We have access to data for approximately 17.5 million records through the PCB (including approximately 5.4 million purchased accounts in our own database). 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.

We have purchased debt portfolios originated by over 50 Debt Originators. Our experienced debt origination team maintains 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.

We have an established record of underwriting accuracy, having collected 102% of our gross original underwriting cash targets between January 1, 2009 and June 30, 2014. 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.

Compliance and risk management are at the core of our business culture and operations. We place great importance on the fair treatment of our customers and experience a relatively low level of complaints, with an average of nine FOS filed complaints received by us and our DCAs per one million owned accounts during the six months ended June 30, 2014, which we believe is among the lowest in the industry. In order to more closely match compliance responsibilities with the risks embedded within our different business functions of oversight, implementation and performance, the Arrow Global Group has a three level risk and compliance framework, which is supported by its CRO, 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.'' Since the migration of the regulation and supervision of consumer credit businesses and activities in the UK from the OFT to the FCA, effective April 1, 2014, our business has been regulated by the FCA.

We believe that the combination of our position as a leader in the growing debt purchase market, our flexible business model (which provides us with a relatively low cost base) and our disciplined approach to debt origination and underwriting mean that we are well placed to continue to grow over the coming years, as new debt purchase 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 a combination of the Capquest Acquisition, our data capabilities, relationships with DCAs and Debt Originators, and experienced management team positions us well to maintain our leading position in the European debt purchase industry.

The Capquest Acquisition

On September 23, 2014, we entered into an agreement (the ***Capquest Acquisition Agreement***) to acquire the Capquest Group, a leading UK consumer debt purchaser (based on 120-Month Gross ERC) and outsourced collections provider (based on 120-Month Gross ERC) (the ***Capquest Acquisition***). We believe that the Capquest Acquisition will further support our ambition to be the leading European debt purchase and receivables management business with leading platforms in unsecured and secured consumer loans in the financial services, telecommunications, retail, student loans and motor finance sectors. We expect the Capquest Acquisition to strengthen our market position, adding a customer-focused collections platform. The Capquest Acquisition is consistent with our strategy of expanding into new asset classes and, we believe, will provide access to a more diverse range of origination sources to increase access to portfolio purchase opportunities at attractive returns. Further, we expect the combination of the Capquest Group's in-house collection capabilities with our master servicing model will provide us with an enhanced collection model from a cost, operational and regulatory perspective. The Capquest Acquisition will also add to our significant data assets, including the PCB, and is expected to increase our match rates and enhance collections performance.

After reflecting the Capquest Acquisition:

- for the 12 months ended June 30, 2014, we would have generated:
  - Combined income from purchased loan portfolios of £125.5 million;
  - Combined total revenue of £128.9 million;
  - Combined Adjusted EBITDA, pre-anticipated synergies and cost savings, of £128.8 million; and
  - Combined Adjusted EBITDA, post-anticipated synergies and cost savings, of £135.3 million, and
- as of June 30, 2014, we would have had £15.4 billion in Combined receivables under management by face value (£12.4 billion of which would have been owned by us), and 8.9 million Combined

accounts under management (8.2 million of which would have been owned by us), generating a Combined 120-Month Gross ERC of £1,051.8 million.

Our Key Strengths

We believe we benefit from the following key strengths:

A market leader in high growth markets

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.

OC&C estimates that there were an estimated £335 billion of unsecured consumer indebtedness outstanding in the UK as of the end of 2013, with high levels of unsecured consumer lending set to continue. Debt Sellers' propensity to sell defaulted consumer debt in the UK has recovered to pre-recession levels, and is expected to continue to grow.

We are a leader in this growing market: in the last three and a half years, we believe we have been one of the largest acquirers of debt by face value and by purchase price in the UK. As of June 30, 2014, we had, since our inception, invested £468.1 million in the acquisition of purchased loan portfolios with an aggregate face value of £8.3 billion, comprising 5.4 million purchased accounts, generating an 84-Month Gross ERC of £701.7 million and a 120-Month Gross ERC of £827.3 million. We believe that we are one of the top three debt purchasers in our core markets by 120-Month Gross ERC. The Capquest Acquisition is expected to strengthen our position further. As of June 30, 2014, we would have had purchased loan portfolios with a Combined aggregate face value of £12.4 billion, comprising 8.2 million purchased accounts, generating a Combined 84-Month Gross ERC of £892.6 million and a Combined 120-Month Gross ERC of £1,051.8 million.

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, asset quality review under the ECB Single Supervisory Mechanism and new accounting rules (IFRS 9 *Financial Instruments*) on the recognition of expected losses on financial instruments and on loan commitments. We believe that the Capquest Acquisition will enhance 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 contingency collection business.

Our leading position and track record of innovation, customer engagement, compliance and financial performance has been recognized within the industry. In 2013, we were ranked first 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 2012, we were ranked ''joint first'' in the same index.

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. In Portugal, the stock of non-performing loans has increased from €5 billion at the end of 2008 to €19 billion at the end of 2013. We believe that we are one of the market leaders in the purchase of unsecured defaulted debt in Portugal, with €2.0 billion of assets purchased (measured by face value) and approximately 500,000 accounts as of June 30, 2014 (with €1.0 billion of assets purchased (measured by face value) during the six months ended June 30, 2014). We expect to continue to pursue attractive opportunities to acquire loan portfolios in Portugal.

Growth in the debt purchase markets in the UK and Portugal 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.

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

We believe that we are well positioned in a debt purchase market where a number of key attributes are required to be successful in the long-term.

We have strong 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 is a trend among some large Debt Originators towards consolidation around a few trusted leading debt purchasers with scale, and a reduction in the size of Debt Sellers' panels as they favor stronger, longer lasting relationships with fewer participants.

We believe that scale is advantageous in maintaining a leading position in the debt purchase industry. We believe that our scale, which will be augmented by the Capquest Acquisition, 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.

Experience and funding are no longer the only pre-requisites for participating in the debt purchase market. 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. There has been an increased focus on collection practices leading to more stringent compliance requirements for debt purchasers, particularly with the transition of regulatory oversight from the OFT to the FCA, alongside the rest of the consumer credit industry, in April 2014. Customers are at the core of our business culture and operations, and we place great importance on the fair treatment of our customers and experience low levels of complaints, with an average of nine FOS filed complaints received per one million owned accounts, during the six months ended June 30, 2014. We believe this is among the lowest level of complaints in the debt purchase and wider UK consumer credit industry.

Leading data and analytics capabilities

Many defaulted accounts sold by Debt Sellers contain inaccurate or incomplete data. This is often as 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 holds data for approximately 17.5 million records (including the records for approximately 5.4 million accounts held in our own database). 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 six months ended June 30, 2014, we were able to identify, prior to purchase, on average 40% 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.

Following the Capquest Acquisition, we intend to combine the Capquest Group's 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, has predominantly invested in financial services loan portfolios), we expect our ''match'' rates for recently purchased UK loan portfolios to improve from the current 40% (our average match rate for the six months ended June 30, 2014) to approximately 50% (based on a sample of three financial services portfolios to which we applied combined Group and Capquest Group data).

Diversified origination capabilities

We benefit from an experienced debt origination team and a well-established and respected brand, having purchased loan portfolios from over 50 Debt Originators. 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 with the opportunity to bid for a substantial portion of all publicly auctioned defaulted debt portfolio sales in the UK. In addition, approximately 63% of our portfolio acquisitions in the UK since 2010 (approximately 40% for the year ended December 31, 2013 and approximately 63% for the six months ended June 30, 2014) 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. Because we use a breadth of origination sources, we are able to target those portfolios that offer the most attractive returns.

We believe that the Capquest Acquisition will benefit our origination capabilities by enabling us to leverage what we believe to be Capquest Group's existing strong relationships with major UK banks and major Debt Originators outside of the financial services market. We also believe that the capacity to provide both purchase and collection-based capabilities to clients will increase debt purchasing opportunities and enable 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).

In addition, the use of specialist DCAs (which we expect to continue after the completion of the Capquest Acquisition) 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 mortgage and student loan portfolios, where we would not use our collection capabilities. Our model allows us to purchase a number of large and diversified loan portfolios from Debt Sellers who are looking to sell highly diverse accounts in a single transaction.

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 80 and 100 portfolio acquisition opportunities, of which we price between 40 and 50 portfolios and ultimately acquire approximately 20 portfolios after a comprehensive multi-stage review process. We have an established record of achieving collections on purchased portfolios against our original underwriting projections across vintages and asset classes, having collected 102% of our gross original underwriting cash targets from January 1, 2009 to June 30, 2014, which we attribute to our comprehensive approach to identifying and acquiring debt portfolios, which results from our sophisticated data assets and analytics capabilities.

Flexible operating and collection model

We operate a master servicing model using a panel of specialist DCAs. We believe this collection model provides a number of benefits and has supported our rapid growth over the past few years as it 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 our DCA partners operate on a largely contingent basis, with commission rates fixed at the point of placement, our Collection Activity Costs (which accounted for 57.0% of our total operating expenses post-non-recurring items for the six months ended June 30, 2014) 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 22 pence per £1 collected for the 12 months ended June 30, 2014. 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.

Following the Capquest Acquisition and the integration of Capquest Group's customer-focused in-house collection platform, we expect to manage approximately 40% of the collections of the combined business in-house. For the remaining approximately 60% of collections, we expect to continue to work with specialist outsourced DCAs, but also expect to accelerate our current DCA panel rationalization process to result in a core group of strategic DCA partners. We believe that this flexible model will enable us to utilize fully what we believe to be a high-quality customer-focused servicing platform and improve further our ability to oversee a smaller outsourced DCA panel, thereby improving the overall experience of our customers. We also believe that this model will enable us to continue to enjoy an efficient and flexible cost structure, with approximately 60% of our cost base (based on Combined figures for the 12 months ended June 30, 2014 and taking into account anticipated synergies and costs savings as a result of the Capquest Acquisition) still being variable.

Highly cash generative business

We are highly cash generative, meaning we have surplus cash available to grow and reinvest in our business. In the 12 months ended June 30, 2014, we generated Core Collections of £134.6 million, resulting in Adjusted EBITDA for the period of £94.7 million, which in turn converted into £89.6 million of free cash flow pre-financing, taxes and portfolio purchases at a 94.6% conversion ratio. Our strong collections experience on our Existing Portfolios led to growth of 11.8% in Adjusted EBITDA to £48.5 million for the six months ended June 30, 2014, compared to £43.4 million for the six months ended June 30, 2013. This follows growth from £44.3 million of Adjusted EBITDA for the year ended December 31, 2011 to £89.6 million for the year ended December 31, 2013 (at a compound annual growth rate of 42.2%).

After giving effect to the Capquest Acquisition, in the 12 months ended June 30, 2014, we would have generated Combined Core Collections of £195.2 million, Combined Adjusted EBITDA, pre-anticipated synergies and cost savings, of £128.8 million and Combined Adjusted EBITDA, post-anticipated synergies and cost savings, of £135.3 million.

As of June 30, 2014, we estimate, on the assumption that portfolios are purchased at our target Gross Cash-on-Cash Multiple, that portfolio purchases of approximately £50 million per year (approximately £70 million per year on a Combined basis) are required to maintain a constant 84-Month Gross ERC and 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 £145.5 million of Gross ERC expected in the 12 months from June 30, 2014 (£193.7 million on a Combined basis), and 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—Significant Factors Affecting Results of Operations—Loan portfolio purchases'' and ''Business of the Capquest Group—Financial Profile and Performance—Portfolio Overview—Purchases of loan portfolios.''

As set forth in the table below, our cash generation since the issuance of the 2020 Notes in January 2013 has enabled us to maintain what we believe is a prudent level of debt in our balance sheet.

	12 months ended			
	December 31, 2012 (*pro forma*)(1)	June 30, 2014 (actual)	June 30, 2014 (*as adjusted*)(2)	
		Excluding 2013 Shareholder Loan(3)	Pre-anticipated synergies and cost savings	Post-anticipated synergies and cost savings
Net debt (£m)	179.4	229.8	402.8	402.8
Ratio of net debt to LTM Adjusted EBITDA	2.9x	2.6x	3.1x	3.0x
Ratio of LTM Adjusted EBITDA to interest expense	3.4x	5.2x	4.5x	4.7x
Ratio of net debt to 84-Month Gross ERC (%)	38.6	32.7	45.1	45.1
Ratio of net debt to 120-Month Gross ERC (%)	32.5	27.8	38.3	38.3

(1) As reflected in the offering memorandum for the 2020 Notes.

(2) Giving effect to the Capquest Acquisition, the Loan Conversion, the Offering and the use of proceeds therefrom and cash on hand to fund the Capquest Acquisition (including to repay the Capquest Group's indebtedness) and to repay a portion of the amounts drawn under the Arrow Global Revolving Credit Facility, among other things, as if such events had occurred on June 30, 2014 (with respect to consolidated balance sheet data) or July 1, 2013 (with respect to consolidated statement of comprehensive income data). See ''Summary Consolidated Historical Financial and Other Data—As adjusted financial information.''

(3) See ''Summary Consolidated Historical Financial and Other Data'' and ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources'' for details relating to the 2013 Shareholder Loan of £41.7 million.

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, 80% of our Core Collections for the 12 months ended June 30, 2014 was derived from assets acquired prior to July 1, 2013 (82% on a Combined basis). As a result, we have significant value and predictable future cash flows embedded in our Existing Portfolios, with 120-Month Gross ERC of £827.3 million (£1,051.8 million on a Combined basis) as of June 30, 2014. We focus primarily on purchasing financial services loan portfolios which typically have a higher average balance (relative to other types of debt). Because of this, higher average balance 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 June 30, 2014, financial services loan portfolios accounted for 88.3% of our 120-Month Gross ERC (86.3% on a Combined basis) with an average account balance of £2,274 (£2,407 on a Combined basis), 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 75% of Core Collections from our Existing Portfolios derived from small, regular, annuity-like payment arrangements for the six months ended June 30, 2014 (approximately 75% on a Combined basis). Approximately 450,000 customers (approximately 650,000 on a Combined basis) with such arrangements have made a payment in the three months to June 30, 2014, most of which were through regular payment methods such as direct debit. The face value of the debt attributed to these accounts represented 1.6 times and 1.3 times our 84-Month Gross ERC and 120-Month Gross ERC, respectively (1.8 times and 1.5 times, respectively, on a Combined basis) as of June 30, 2014.

As of June 30, 2014, retail loan portfolios accounted for 8.4% of our 120-Month Gross ERC (9.4% on a Combined basis) with an average account balance of £490 (£497 on a combined basis), student loan portfolios accounted for 2.9% of our 120-Month Gross ERC (2.3% on a Combined basis) with an average account balance of £2,066, and telecommunications loan portfolios accounted for 0.4% of our 120-Month Gross ERC (1.1% on a Combined basis) with an average account balance of £314 (£317 on a Combined basis). In addition, following the Capquest Acquisition, we will have motor finance portfolios, which, as of June 30, 2014, would have constituted 0.9% of our Combined 120-Month Gross ERC with an average account balance of £3,318.

As of June 30, 2014, our loan portfolios in the UK had an average account balance of £1,308 (£1,376 on a Combined basis).

Experienced management and skilled staff

We are managed by a leadership team with extensive, and complementary, experience, and our six senior executives together have considerable risk management, credit and finance experience. Our CEO, Tom Drury, has over 18 years' executive leadership experience, including as Group Chief Executive of a FTSE 250 company. Our Executive Director, Zachary Lewy, who has 16 years' experience in debt purchase, debt collection and call center management, 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 CFO, Robert Memmott, has over 18 years' experience in senior financial leadership roles within private equity backed and listed companies. Our Chief Operating Officer, Georgina Hayes, has 13 years' experience in the delivery of operational business systems with specific expertise in the area of risk and mapping statute and regulatory guidance onto business processes. Our Chief Risk Officer, Steven Greenwood, has over 10 years of experience in senior risk roles.

Following the Capquest Acquisition, Helen Ashton, the current CEO of the Capquest Group and former managing director of Barclaycard International, will join our senior management team. We believe that our combined management team following the Capquest Acquisition will be key to our growth strategy going forward and to leading the integration of the businesses of the Arrow Global Group and the Capquest Group.

Data assets and analytics are at the core of our business, and this is reflected in our highly qualified and skilled staff, who receive ongoing training and development. A significant number of our employees have a degree qualification or better, including postgraduate and professional degrees. With the addition of in-house collections capability and call center operations following the Capquest Acquisition, our employees will 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 will further contribute to our success.

Our Strategy

Our vision has been, and following the Capquest Acquisition will continue to be, to become the leading data-driven debt purchaser in the markets in which we operate. Our strategy is to grow by leveraging our sophisticated data-driven business model and leading position in growing markets through the following strategic objectives.

Protect and enhance our position as a leading debt purchase and receivables management business and build on the platform created by our track record to date

We (and the Capquest Group) 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 a core group of creditors.

Both we and the Capquest Group have purchased over 80% 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 in the UK (and, in our case, also in Portugal). We believe that the high average balance of most financial services loan portfolios that we acquire gives long-term earnings visibility through the ''long tail'' of resulting predictable cash flows. We intend to maintain our leading position in financial services debt in both the UK and the Portuguese markets.

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 the 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. We will continue to invest in our strong conduct risk management culture to strengthen our recognition by major Debt Sellers as operating at a level of compliance consistent with best practice by their own standards.

Pursue a risk-adjusted investment return approach and optimize our balance sheet

We intend to build on our business model, and our and the Capquest Group's partnerships with major Debt Sellers, to continue purchasing 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 been ''in-situ'' portfolios where our DCA partners are already servicing a portion of the underlying accounts, complex and diverse portfolios, accounts for which we are already providing asset management services and portfolios where our sophisticated data assets can provide a high match rate during underwriting. Alongside this focused origination strategy, we have maintained, and seek to continue to maintain, strong governance around our underwriting processes and are disciplined in ensuring we acquire portfolios in line with our risk-adjusted target returns. We believe that our underwriting discipline, the strength of our and the Capquest Group's 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. We seek to optimize our balance sheet and, in this connection, establish the right balance of debt within our capital structure.

Maintain and develop our innovative data assets and analytical capabilities and supply chain excellence

We seek to continue to develop our data analysis tools to enable a better understanding of individual customers' circumstances. For example, we seek 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. Furthermore, we also invested in a new raw data bureau during 2013, under an agreement similar to the one we have with Experian, which has resulted in improved customer tracing and forecasting.

Deliver a sophisticated customer experience and minimize regulatory risk through a cautious approach to product extension

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 customers.

Pursue diversification through a disciplined approach to geographic expansion and new asset classes

We believe that the flexibility of our approach to outsourcing collections to DCAs (which we expect will continue for approximately 60% of our collections post the Capquest Acquisition, although with an expected smaller network of DCA partners) allows us to move into new geographies and asset classes with reduced risk and investment requirements compared to debt purchasers that operate substantial in-house collections models. Our business model was successfully transported from the United States to the UK, and from the UK to Portugal. We are focused on targeted European expansion in the short-to-medium term, and seek to enter a limited number of markets (for example, the Netherlands, where we recently procured a license and concluded a pilot investment). Our European expansion could take the form of acquisitions of platforms or entry into joint ventures, business alliances, consortiums to acquire assets or other types of investments (including participations or sub-participations, total return or pass-through contracts or other similar arrangements).

Furthermore, we believe that we have developed a proven approach to purchasing ''pilot'' portfolios in new asset classes in the UK ahead of more significant investments. This piloting approach is made possible by working with specialist agencies or law firms that already possess the requisite skills and processes to manage and service such portfolios. We took this approach prior to purchasing substantial second lien mortgage and student loan portfolios, which enabled us to gain a better understanding of these asset classes before committing to larger investments.

We believe that the Capquest Group's existing presence in the motor finance sector and established capability to collect high volume low balance accounts will also enable us to diversify into new asset classes.

We seek to apply a disciplined approach to diversification into new geographies and asset classes in order to minimize regulatory risk. For example, we have strict criteria for evaluating opportunities for geographic expansion. These criteria 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, as well as markets with supportive legal and regulatory systems.

Our History and Development

AGL 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, Arrow Global Group'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 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 the 2013 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 Group via the 2013 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.

On September 23, 2014, we entered into the Capquest Acquisition Agreement.

Our Current Operations

UK operations, product and service offerings

Our UK 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 on to the market. We source portfolio acquisitions from over 50 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. Approximately 79% of our portfolio purchases in the six months ended June 30, 2014 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.

We have the flexibility to purchase and take on a range of debt portfolio types from 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. Following the Capquest Acquisition, we will continue 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. We also expect additional purchase opportunities to arise relating to loan portfolios that the Capquest Group is currently managing on behalf of other Debt Sellers.
- **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 and where the outright purchase of the debt assets was 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 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 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.

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.

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

(iv) Market position

Based on that preliminary assessment, the Gate 1 committee, our CEO, CFO, CIO, COO, CRO, Executive Director, Head of Pricing, and Senior Investment Analyst, will make a decision as to whether to proceed through Gate 1, with 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 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, COO, CRO, Executive Director, Head of Pricing, Head of Implementation, 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, COO, CRO, Executive Director, Head of Pricing, Head of Implementation, General Counsel, Head of Development and Head of Core Collections.
- **Investment Committee (Gate 4):** once feedback from the non-binding final bid has been received, 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, Executive Director, CRO, Chief Operating Officer, General Counsel, and Head of Pricing.

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 17.5 million records in the PCB (including the approximately 5.4 million accounts in our internal database). In the 12 months ended June 30, 2014, our data assets permitted us to match, prior to purchase, approximately 40% 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 settlement 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:*** A bespoke Portfolio Briefing is also distributed to the various agencies with which accounts are placed providing detailed origination history, FAQ's and copy 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 do 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 settlement payment while most customers pay by entering into long-term repayment plans. For loan portfolios in the UK, approximately 75% of our Core Collections are derived from small, regular, annuity-like payment arrangements and the remaining 25% are from settlement 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 settlement amount exceeds a specified percentage threshold (which typically permits a small discount to total face value). Any proposed settlement for a smaller percentage of the amount owing requires prior approval from us.

During the past three and a half 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 12 DCAs (nine in the UK and three in Portugal), and up to six additional litigation servicers and two specialist DCAs. As a result of the Capquest Acquisition, we expect to accelerate the DCA panel rationalization process to result in a core group of strategic DCA partners.

Our top 10 DCAs accounted for approximately 60% of Core Collections in the six months ended June 30, 2014.

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, which can include 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. We estimate that 65% of total Core Collections during the six months ended June 30, 2014 came from this segment.
- **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 (21.8% in the 12 months ended June 30, 2014).

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 PV 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, early settlement 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 June 30, 2014, 5.9% of the accounts that we owned had proceedings issued or other litigation activity commenced, and those accounts resulted in 16.7% of Core Collections since January 1, 2011. Once the process has reached 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 seek to ensure collections efficiency, to provide comfort to Debt Sellers regarding the compliance and conduct risk management of the DCAs' collection activities and to ensure 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 supplier 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. The DCA is briefed on the account types they will work and on during the on-boarding process to establish their capability and appetite, and once selected are given a detailed customer procedure manual as well as an Arrow process guide outlining our operational requirements. File transfer can then take place.

Once the DCA has been approved, placements begin and the performance management team monitors activity using the servicer management framework. This is designed to ensure a controlled and consistent customer experience measured against our standards to enable robust management of risk in the operation. The framework is further designed to evidence DCA performance in a clear and unambiguous manner that drives dialogue with DCAs on potential areas of improvement, enables tracking of trends 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 processes. 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 review. 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 usually reviewed annually with a full assessment of a pre-completed audit questionnaire followed by two full days of review on-site. The test program covers key elements, including information security (including data protection compliance), cash management, workflow, complaints handling, call quality management, agent performance, recruitment and training. Tailored testing takes place for our accounts including a review of account loading processes. Areas of development and remediation are fed back to the DCA immediately following the on-site visit with a detailed assurance report prepared that documents key risks and highlights any 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 complaint, including those received directly from customers, those received by DCAs and servicers and official complaints made to FOS, FCA or ICO. When a complaint is first received by a DCA or servicer, that DCA or servicer responds to the customer directly and logs the complaint in its complaint log. If the complaint is not resolved or the customer complains directly to FOS or other regulatory bodies such as the trading standards board or

ICO, then the Arrow Customer Resolution Team takes over full management of the complaint. As part of the servicer framework, we review the complaint logs of each of our DCAs and servicers to ensure that all complaints are being dealt with appropriately and in a timely manner. Our second line of defense also reviews these complaint logs to ensure that they are comprehensive and that all complaints are accurately recorded.

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 efforts on those accounts to reflect the customer's circumstances, improving its ability to negotiate increases in monthly payments, assess settlement offers and preserve existing payment arrangements.

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 approximately 60% in the 12 months ended June 30, 2014, 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 expect to manage approximately 40% of the collections of the combined business in-house and expect to continue to use outsourced DCAs to manage the remaining 60% of collections. As part of this strategy, we intend to accelerate 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. In the UK the number of defaulted customer accounts with a third party debt management plan in place increased from approximately 389,000 in 2008 to approximately 600,000 in 2013, according to OC&C, and is expected to continue increasing. 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.

Portuguese product and service offerings

Our portfolios in Portugal are overseen by the Executive Director in conjunction with local DCAs in Portugal. We apply our master servicing business 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. While we focus on defaulted consumer debt portfolios, we have also acquired a number of commercial debt portfolios.

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. A number of our Portuguese portfolios comprise post-legal judgment debts.

Technology Infrastructure

We operate an outsourced, cloud-based IT infrastructure that offers cost advantages while also providing efficiency, scalability, security and reliability. 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. This outsourced IT infrastructure has helped control costs, and in the six months ended June 30, 2014 the cost of our service provider constituted approximately 0.7% of Core Collections.

We are committed to maintaining high standards of data protection, client information and information security and aims 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 our Manchester 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 there being a major service failure in our IT systems. This arrangement is in place for an initial term of at least three years.

Following the Capquest Acquisition, we expect to centralize all automated transactional processing on the Capquest Group's new IT platform, which is intended to become the master book of record for the combined group. Both our and the Capquest Group's IT platforms will also be developed to support interfaces that allow data to be shared between them. However, it will not be possible to begin any integration before the implementation of the Capquest Group's new IT platform, which is scheduled to be completed in March 2015. As a result, there will be a period during which both platforms will run in parallel.

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 have 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 have 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 have increased the size of our data assets significantly, as the monthly import of trace data has increased from eight million records per month in 2011 to 17 million per month in the 12 months ended June 30, 2014. The trace data includes names, address and contact information. Our monthly import of employment and home ownership records has increased from 5.3 million per month in 2011 to 9.8 million per month in 2014. We have also imported 7.6 million new telephone numbers in the 12 months ended June 30, 2014, compared with approximately 2.9 million in 2011. These increases have improved value-based segmentation, enabling better predictions of the value of each account and predictions of which DCA is best placed to service that account, thereby increasing successful collection rates.

Proprietary Collections Bureau (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***). One of the UK's first debt collection focused credit bureaus, the PCB aggregates data submitted by a closed user group of 24 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 June 30, 2014, contained approximately 17.5 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. As of January 31, 2013, we have 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 40% in the average match rate at underwriting, allowing for more accurate, de-risked pricing.

In light of UK 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

On January 7, 2014, a DCA in Portugal filed a claim in the Second Civil Circuit of the Civil Court of Lisbon alleging violations of certain Portuguese laws by us (the ***First Complaint***). The plaintiff previously acted as a DCA to a Bank of America group entity in relation to a Portuguese portfolio which was subsequently sold to Arrow Global Portugal Limited (***AGPL***) in 2010. The plaintiff's allegations included that our operations, through AGL and AGPL, violate Article 4 of the Portuguese Commercial Companies Code due to, among other things, our not having established permanent offices in Portugal, as well as the Portuguese Commercial Registry Code due to our not having registered with the Portuguese commercial registry. The plaintiff has sought a court order requiring us to cease our operations in Portugal and dispose of our Portuguese asset portfolio (and therefore it is not possible to quantify this claim). We believe, based on advice from our Portuguese legal counsel, that it is highly unlikely this order will be granted.

On April 15, 2014, we filed our particulars of defense with the Second Civil Circuit of the Civil Court of Lisbon in response to the First Complaint, seeking dismissal of the claim and costs associated with the litigation.

On November 11, 2013, the plaintiff filed an additional claim (joined with a claim it filed on December 17, 2013) in the Eighth Civil Circuit of the Civil Court of Lisbon (the ***Second Complaint***). The Second Complaint alleges that we and certain of our affiliates, as well as various Bank of America entities, the successor DCAs to the plaintiff and current and former employees of the respective organizations, violated applicable Portuguese law (including the Portuguese Civil Code) as a result of our contracts, agreements and operations relating to the purchase and servicing of the portfolio in Portugal, in relation to which the plaintiff was the prior DCA. The plaintiff has sought monetary damages in the amount of

€8.4 million, as well as declarations from the court that such contracts and agreements referenced in the Second Complaint were simulated, null and void. We have not yet been properly served with the relevant documentation in relation to the Second Complaint, but we intend to file a response within the relevant period stipulated under Portuguese law once this occurs.

We believe that both complaints are without merit, and intend to defend our positions vigorously for both ourselves and our employees.

Employees

As of June 30, 2014, we had 120 full time employees split among our offices in Manchester, Guernsey and a London office that consists mostly of our origination team. Our Portuguese portfolios are overseen by the Executive Director in Manchester in conjunction with local servicing agents. The quality of our data and analytics staff is critical to our success, and approximately 73% of our workforce has a degree qualification, approximately 46% has a postgraduate or professional qualification and about 88% a tertiary education. 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 2013 the attrition rate was 11%.

Properties

We lease our offices in Manchester and Guernsey and our office space in London to support our origination team.

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 is undergoing a number of significant regulatory changes affecting both the 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 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, have been preparing for the new consumer credit regime to ensure they are ready to apply for full authorization between July 1, 2015 and September 30, 2015, and to transition into the full authorization regime. Initial areas of focus have included a review of the existing risk management framework to adopt financial services best practice, key internal change projects focusing specifically on customer outcomes and a shift toward evidencing compliance with regulatory requirements. We believe we are well-placed in our preparatory work for full FCA authorization.

Debt Sellers' panel sizes

We believe that Debt Sellers have become more discriminating in their choice of 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 increased scale (including as a result of the Capquest Acquisition) 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), 2011, 2012 and 2013 saw an increase in the amount of debt being sold to debt purchasers. This 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. We believe that this trend will continue as a result of ongoing and anticipated regulatory and accounting-related developments, including the following:

- **Basel III.** Basel III 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 (***EBA***) published tougher standards for non-performing loans and forbearance loans. Under the new standards, loans will be 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 will have to be classified as non-performing. Between March and October 2014, the EBA and the European Central Bank (***ECB***) 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. On October 26, 2014, the EBA and the ECB 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 results of the asset quality reviews and stress tests, as announced on October 26, 2014, are in line with our expectations. 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 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 Deloitte 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.

BUSINESS OF THE CAPQUEST GROUP

References in this section to ''FY'' are to the financial year ended March 31 of that year.

Overview, History and Development

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.

Founded as a DCA, 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. Over the past decade, the Capquest Group has developed extensive debt purchasing capabilities and has grown to become one of the largest privately-owned purchasers of non-performing consumer debt in the UK (based on 120-Month Gross ERC). As an established participant in the UK market, it partners with a diverse client base and holds positions on both DP and DCA panels.

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. This contingency collections business complements its debt purchase activities, providing the Capquest Group with enhanced client relationships in the banking sector, increased proprietary deal flow and continuous operational improvement from collections experience.

In 2011, the Capquest Group was acquired by funds managed by TowerBrook, a private equity firm, and subsequently underwent significant restructuring. Since 2012, the Capquest Group's senior management team has been strengthened by a number of new appointments, including Chief Executive Officer Helen Ashton, who brings over six years of senior financial management experience from Barclaycard International and Lloyds Banking Group. Since then, the senior management team has driven a number of initiatives that have supported its operational development and continued growth.

Since 2012, the Capquest Group has invested in seeking to build an industry-leading approach to compliance, creating a governance framework and processes that leverage best practice from the broader financial services industry. As part of its organizational change program, it also has focused on developing an integrated data, analytics and technology platform to underpin its flexible operating model, which is currently in the final phases of a staged implementation. This highly-advanced technology platform is expected to further enhance the Capquest Group's account servicing capabilities with a strong focus on compliance and the customer journey.

As of June 30, 2014, the Capquest Group owned and managed defaulted debt portfolios with an aggregate face value of £4.8 billion, including £4.1 billion of purchased loan portfolios and approximately 2.8 million owned customer accounts, based on portfolio purchases made between September 1, 2004 and June 30, 2014. Adjusted EBITDA of the Capquest Group, which it believes is representative of its operating cash generation, has grown from £29.8 million for the year ended March 31, 2012 to £34.1 million for the 12 months ended June 30, 2014. As of June 30, 2014, 80.0% of Capquest Group's defaulted debt portfolios (by purchase price) were financial services loan portfolios (with the remaining consisting of retail, telecommunications and motor finance portfolios).

As of June 30, 2014, the Capquest Group had 385 full time equivalent employees across two offices in Farnborough and Glasgow.

Debt Purchase

Since purchasing its first portfolio in 2004, the Capquest Group has grown to become one of the largest privately-owned UK purchasers of non-performing consumer debt (based on 120-Month Gross ERC). For the 12 months ended June 30, 2014, revenue from debt purchase activities was £26.3 million (including portfolio write-up and portfolio impairment). Debt purchase accounted for 85% of the Capquest Group's total revenue for the 12 months ended June 30, 2014.

Of the Capquest Group's £224.5 million 120-Month Gross ERC as of June 30, 2014, 79% was attributable to portfolios in the financial services sector, 13% to retail, 4% to motor finance and 4% to telecommunications, as estimated by us through account-level ERC forecasting.

We believe the Capquest Group's experience in a range of sectors and with a range of debt types, commercial structures and balance sizes provides it with both earnings diversification and purchasing flexibility. We believe this flexible operating model has enabled the Capquest Group to collect across a wide range of debt types and sectors to achieve further diversification. Its acquisition of the British Credit

Trust (***BCT***) portfolio and business assets in February 2014 further broadened its collection capability, adding motor finance receivables to its asset base.

In the year ended March 31, 2014, the Capquest Group spent £45.6 million to acquire portfolios, compared with £57.2 million in the year ended March 31, 2013.

In addition to spot purchases, the Capquest Group acquires portfolios through Forward Flow Agreements, which provide a regular flow of purchasing spend and accounts, on previously agreed terms. In the 12 months ended 30 June 2014, Forward Flow Agreements accounted for debt purchases by the Capquest Group of £9.9 million. The Capquest Group has recently extended a Forward Flow Agreement with an established client to 2016, securing further committed spend for FY 2015 and FY 2016. A further Forward Flow Agreement was entered into in December 2013 for a two-year period.

Of the 34 complaint decisions received from the FOS between April 1, 2013 and March 31, 2014, only a minority were not upheld in favor of the Capquest Group, representing a significant ''success'' rate. This compares favorably with the debt collection industry average of 61%, based on FOS complaints data from April 1, 2013 to March 31, 2014. The Capquest Group has never had any requirements imposed by a regulator.

Portfolio performance, pricing and forecasting

Based on our estimates of Gross ERC, utilizing our ERC forecasting model, and the purchase cost allocated to the acquired portfolios, the Capquest Group is expected to generate a 120-Month Gross Cash-on-Cash multiple of 2.1x across its loan portfolios as from the date of purchase.

Client relationships

We believe the development of the Capquest Group's debt purchase business over the past decade has been underpinned by strong relationships with its blue chip client base, which includes major UK banks, credit card companies, telecommunications providers and retailers. Several of these relationships date back over a decade, with repeat transactions having been entered into with more than 70% of its clients. In addition, despite the recent consolidation of debt servicing and purchasing panels amongst UK banks, over the past 18 months the Capquest Group has retained all of the panel memberships that it wished to retain, which we believe is a result of the strength of its relationships, its strong audit performance track record and commitment to compliance and treating customers fairly. We believe these relationships give the Capquest Group good visibility of purchasing opportunities with a range of clients, which allows it to maintain a diverse mix of new debt portfolio purchases, lowering client concentration risk.

Contingency Collections

The Capquest Group draws on more than 25 years of operational experience as a DCA and employs strategies to segment and engage customers on behalf of its third party clients. Servicing debt on behalf of third parties provides it with a regular stream of account placements, which we believe gives the Capquest Group greater insight into prevailing payment trends across debt types and demographics. The Capquest Group's longstanding client relationships have also led to proprietary opportunities to acquire contingency tails of portfolios that it services (effectively providing an opportunity to purchase debt ''in-situ'') and enables it to move towards ''place-to-sell'' structures (where it would agree at the time of establishing the contingency arrangement that it will purchase the portfolio after a period of collections). As a result of these factors, contingency collections have remained a key complementary component to the Capquest Group's overall business model.

The contribution of the Capquest Group's contingency collection business to its total revenue has decreased as it has expanded its debt purchase business and refocused its contingency business on a smaller number of strategic clients from 2012 onwards. As a result, contingency commissions of the Capquest Group as a percentage of its total revenue decreased from 32% in the year ended March 31, 2012 to 15% in the year ended March 31, 2014.

In addition, the Capquest Group has successfully navigated recent DCA panel reorganizations and has maintained the panel memberships that it wished to retain, which we expect will lead to increased allocations and the receipt of new placement types. Recently, it has also been successful in securing a new contract with a high street bank.

Operating Model

Collection

We believe that the Capquest Group's flexible approach to collections has enabled it to successfully acquire and collect debt across a variety of sectors, balance sizes and placement types and focus purchases in areas where pricing is relatively attractive.

Portfolios are serviced through one of three business units, each of which employs a tailored servicing strategy according to the type of debt, which we believe enables the Capquest Group to manage collection costs efficiently and optimize the experience for customers. All three business units utilize a mix of traditional telephone contact and new, automated contact methods, such as emails and SMS messaging, to ensure servicing costs remain appropriate and interactions are tailored to customers' needs. This collection strategy enables the Capquest Group to manage profitably a variety of account types such as low balance accounts and motor finance accounts.

Litigation

The Capquest Group currently uses a range of enforcement procedures that are tailored to customers' specific circumstances and driven by a proprietary in-house scorecard, which was developed in partnership with a specialist analytics advisory practice. These procedures have been applied to accounts where there is strong evidence that a customer is able to pay (based on factors such as assets and income) but has otherwise refused to engage.

Compliance

Since 2012, the Capquest Group has invested in seeking to build an industry-leading approach to compliance, creating a governance framework and processes that leverage best practice from the broader financial services industry since 2012. This has included the implementation of a ''three lines of defense'' risk management model similar to the one we employ, as well as that employed by banks, which provides oversight, challenge and reporting on risks within the business.

We believe that the Capquest Group's complaint levels are low relative to the average 654 calls connected, 13,284 letters and 790 emails sent per day. For debt purchase, FOS complaints per million live accounts for the Capquest Group was 12.9, with 8.7 complaints per million for contingency accounts, resulting in a combined rate of 12.0 per million live accounts for the year ended March 31, 2014, broadly in line with the Group at 17 per one million live accounts in the year ended December 31, 2013. Of the 34 complaint decisions received from the FOS between April 1, 2013 and March 31, 2014, only a minority were not upheld in favor of the Capquest Group, representing a significant ''success'' rate. This compares favorably with the debt collection industry average of 61% (according to FOS complaints data from April 1, 2013 to March 31, 2014). The Capquest Group has never had any requirements imposed by a regulator.

In connection with the assumption of responsibility for regulation of the consumer credit industry by the FCA in April 2014, all of the Capquest Group's key trading entities registered with the FCA for interim consumer credit permissions or, in the case of the Capquest Group company that is already authorized by the FCA and has permission to service mortgage loans, interim variation of permissions. These entities have been provided three-month ''landing slots'' during 2015 in which to apply for full FCA authorization or variation of permissions, as applicable.

Information Technology, Data and Analytics

As part of its business change program, the Capquest Group has focused on developing an integrated data, analytics and technology platform to underpin its flexible operating model, which is currently in the final phases of a staged implementation. We expect this advanced technology platform to further enhance the Capquest Group's 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, Inc., a U.S.-based technology company with specialist capabilities in the sector. Latitude has been deployed to more than 250 debt purchase and DCA clients in the United States. The Capquest Group is 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 the Capquest Group 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 the Capquest Group with industry leading capabilities in technology, compliance and analytics.

The Capquest Group is developing its new integrated technology platform with Interactive Intelligence pursuant to a professional services agreement (the ***Technology Platform PSA***) and a master license and software maintenance agreement (the ***Technology Platform LMA***). Under the terms of the Technology Platform PSA, the Capquest Group is required to pay fees in connection with the development of the Latitude software, payable at the achievement of certain milestones as outlined in the Technology Platform PSA. The Technology Platform LMA provides for the ongoing licensing and maintenance of Capquest Groups total integrated technology platform, including Latitude. Under the terms of the Technology Platform LMA, the Capquest Group is required to pay a single licensing sum, along with annual maintenance fees. Both the Technology Platform PSA and LMA commenced on September 20, 2013. The Technology Platform PSA will terminate upon the completion of certain workstreams detailed in a comprehensive statement of work included therein. The Technology Platform LMA continues for an initial term set out in the agreement, and will renew automatically for successive annual terms, subject to certain termination rights outlined therein.

According to management of the Capquest Group, 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 340 million transactions and 2.8 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.

Employees

As of June 30, 2014, the Capquest Group had 385 full-time equivalent employees (268 in the Farnborough office and 117 in the Glasgow office). Collections, administration and operations employees account for a significant portion of the employee base.

The Capquest Group uses individual personal development plans and coaching for its business operations employees, supplemented by regular monitoring and review as well as compliance training. Its performance management framework rewards high-performing employees based on call quality, customer outcomes and business performance, while targeting under-performance for improvement through coaching and development. In recognition of its commitment to employee development, the Capquest Group was recently awarded Silver ''Investor in People'' status.

Premises

The Capquest Group's office in Glasgow houses collection operations and elements of the associated support functions. Its headquarters in Farnborough houses additional collections operations alongside the analytics, compliance and risk, human resources, IT, finance, litigation, commercial and trace functions.

Financial Profile and Performance

The Capquest Group's results of operations are subject to the same drivers as those that affect our results of operations. These consist of the following:

- loan portfolio purchases;
- Core Collections;

- revenue recognition, impairment of purchased loan portfolios and estimation of cash flow forecasts;
- collection activity costs and operational efficiency;
- trends in average monthly payments;
- macroeconomic conditions; and
- regulatory considerations.

In addition, the Capquest Group's results of operations are impacted by factors that impact its in-house collections platform and its contingency collections business.

The results of the Capquest Group's contingency collection business are impacted by placement volumes, commission rates agreed with clients and liquidation rates achieved. Placement volumes are dependent on the ability to secure positions on Debt Originator panels and to maintain or increase account allocations. This is typically achieved through a combination of strong collections performance and audit scores relative to other panel members. The volume of total accounts placed by each Debt Originator is a function of its debt recovery strategies, which dictate volumes of accounts collected in-house, sold or placed. This can be driven by factors such as debt sale pricing, in-house collections capabilities and satisfaction with collection practices of DCAs and debt purchasers. Commission and liquidation rates are dependent on a range of factors including type and age of debt, availability of complete data on customers and collection strategies employed.

The ownership of an in-house collections platform provides different requirements and drivers. These include the ability to recruit, retain and train collection agents effectively and optimize operational efficiency through high utilization of the collections platform. The collections platform is regularly audited by clients, both from a debt purchase and contingency collections perspective, with poor scores potentially impacting the ability to purchase or receive account placements. A flexible, scalable and resilient core IT platform is needed in order to service a wide range of asset classes and cater for client needs, automating processes where possible to reduce servicing costs. Collections results are also driven by the ability to access up to date complete data on customers and apply sophisticated analytics in order to make contact with customers, engage with customers and put in place effective and sustainable payment plans to optimize results.

Portfolio Overview

Purchases of loan portfolios

The table below summarizes the Capquest Group's loan portfolio purchasing activity by setting out its key purchasing metrics by vintage.

	Vintage			
	Year ended March 31,			Three months ended June 30,
	2012	2013	2014	2014
Portfolio purchases—costs (*£m*)	25.0	57.2	45.6	2.7
Face value (*£m*)	412.9	266.4	826.4	15.6
Total price paid as % of face value	6.2%	21.4%	5.5%	17.6%

Purchases of loan portfolios can vary in age, type and ultimate collectability. During the periods indicated, the Capquest Group has purchased a range of portfolios, which explains the period-to-period variation in average prices paid and face value. For example, in FY 2013, 98% of purchases related to paying and prime portfolios, compared to 41% in FY 2012, with all purchases made in the three months ended June 30, 2014 being of prime or paying portfolios that command higher average prices to reflect their higher collectability.

In connection with the Capquest Acquisition, we have undertaken an account-level re-underwriting of the Capquest Group's loan portfolios, using our proprietary ERC forecasting model, at returns in line with our usual targets, and valued them at approximately £110.0 million. We expect to generate on these purchased loan portfolios an 84-Month Gross ERC of £190.9 million and 120-Month Gross ERC of £224.5 million, respectively, as of June 30, 2014. (Based on the Capquest Group's ERC forecasting model, as of June 30, 2014, the Capquest Group's 84-Month Gross ERC would be £207.4 million and its

120-Month Gross ERC would be £236.4 million.) Based on such re-underwritten loan portfolios, we expect to achieve a Gross Cash-on Cash Multiple of 2.1x over the next 120 months.

The table below sets forth, as of June 30, 2014, the Capquest Group's 84-Month Gross ERC and 120-Month Gross ERC on purchased loan portfolio by asset class based on our view of such Gross ERC derived from the account-level re-underwriting of the Capquest Group's loan portfolios using our proprietary ERC forecasting model.

	Months							84-Month Gross ERC	Months			120-Month Gross ERC
	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
Asset class	**0 - 12**	**13 - 24**	**25 - 36**	**37 - 48**	**49 - 60**	**61 - 72**	**73 - 84**		**85 - 96**	**97 - 108**	**109 - 120**	
Financial services	34.7	28.0	23.1	19.5	16.6	14.3	12.3	148.6	10.8	9.5	8.4	177.4
Retail	8.0	5.1	3.8	3.0	2.4	2.0	1.7	26.1	1.4	1.1	0.9	29.5
Motor finance	3.3	1.9	1.3	0.9	0.6	0.5	0.4	8.9	0.2	0.1	0.0	9.2
Telecommunications	2.1	1.5	1.1	0.9	0.7	0.6	0.5	7.3	0.4	0.4	0.3	8.4
Total	**48.1**	**36.6**	**29.3**	**24.3**	**20.4**	**17.4**	**14.8**	**190.9**	**12.8**	**11.1**	**9.7**	**224.5**

As of June 30, 2014, 79.1% of the Capquest Group's 120-Month Gross ERC was derived from financial services portfolios, with 13.1% attributable to retail portfolios, 4.1% to motor finance portfolios and 3.7% to telecommunications portfolios. The average account balance of the Capquest Group's financial services portfolios, retail portfolios, motor finance portfolios and telecommunications portfolios was £2,745, £507, £3,318 and £322, respectively.

Individual accounts within the financial services portfolios have a higher average balance relative to accounts within retail portfolios and telecommunications portfolios. The higher average balance typically results in customers entering into long-term repayment plans consisting of small regular repayments. Consequently, financial services portfolios tend to produce higher Gross Cash-on-Cash Multiples relative to retail portfolios and telecommunications portfolios (albeit with a similar Net IRR). Motor finance portfolios purchased have been fast-liquidating in nature, and while their Gross Cash-on-Cash Multiples are relatively low, Net IRRs forecast for this asset class are relatively high compared to recent overall vintages.

Collections

The main driver of the Capquest Group's revenue is Core Collections, which is driven by successful collection of payments on purchased loan portfolios. The Capquest Group's existing portfolio produced Core Collections of £59.2 million in the year ended March 31, 2014 and £15.4 million in the three months ended June 30, 2014.

The Capquest Group's primary source of cash flow is the proceeds received from customer accounts in its purchased loan portfolios, received via three principal routes:

- **Payment plans:** most customers pay by entering into long-term repayment plans, which provides the Capquest Group significant cash flow visibility.
- **Settlements:** settlements arise when a single payment or agreed series of large instalments (typically for less than the remaining balance) leads to the closure of the account and any remaining balance being written off. The Capquest Group makes a settlement assumption on each portfolio when it is purchased, which has an impact on the purchase price.
- **Litigation:** litigation is pursued as a means of engaging the customer when other methods have failed and is only pursued once accounts have been checked against a range of selection criteria which are designed to exclude vulnerable customers and those in financial difficulty. The enforcement routes that are deployed are selected based on customers' circumstances, including their employment and home ownership status. Litigation proceeds can come either as one off payments or through a regular flow of payments depending on the enforcement route deployed.

For the three months ended June 30, 2014, 52% of Core Collections were derived from long-term payment plans with small, regular, annuity-like payment arrangements, 40% through settlement arrangements (which can include a discount to the face amount of the loan outstanding) and 8% through litigation. The average monthly payments received per customer during the three months ended

June 30, 2014 for the Capquest Group's loan portfolios was £21.32 (excluding motor finance portfolios), with direct debit being the most popular payment method (32%).

The Capquest Group owns its own collections platform with limited placement of accounts typically used only where specialist skills are required (for example, on deceased accounts and litigation). In-house collections are performed from both of its sites, located in Glasgow and Farnborough, which the Capquest Group has moved into over the last two years.

The Capquest Group believes that its operating platform enables it to successfully collect across a range of debt types, including asset classes, balance sizes and placement levels. It employs servicing strategies tailored towards portfolio characteristics. These include a mix of traditional telephone and letter contact, together with newer automated methods, including e-mails and SMS messaging, to ensure that servicing costs remain appropriate. The recent acquisition of a portfolio of motor finance accounts and business assets from BCT extended the capabilities of the Capquest Group into the motor finance collections market.

The Capquest Group supplements data already held on customers and their accounts with data enhancements from credit bureaus and other specialist data providers for address and telephone number look-up services, as well as customer propensity-to-pay scoring. This data, together with existing analytical capabilities and collections strategy expertise, is used to help identify the best accounts to contact, the right time to make contact and the right contact method to deploy. Collection agents engage with customers to establish sustainable repayment plans based on affordability assessments with established processes to identify vulnerable customers and those in financial hardship. The Capquest Group believes its business has a strong commitment to treating its customers fairly and continuously seeks to improve the customer experience.

The Capquest Group has made significant investment in a new integrated data, analytics and technology platform which it expects to underpin the operating model and which is currently in the final phases of a staged implementation. This platform is expected to offer sophisticated account servicing capabilities, and extended customer contact channels which the Capquest Group believes will further enhance the customer experience and improve customer engagement.

The Capquest Group has historically achieved accurate collections performance against collections forecast used for the computation of ERC. Since commencing debt purchase activity, the Capquest Group has achieved collections of 105% of original 84 month in-house forecasts.

Revenue recognition

The Capquest Group's revenue recognition policy followed in the preparation of its consolidated financial information included in this Offering Memorandum is consistent with our revenue recognition policy.

The following table sets forth a reconciliation of the Capquest Group's Core Collections to total revenue.

	Year ended March 31,			Three months ended June 30,	
	2012 (£'000)	**2013 (£'000)**	**2014 (£'000)**	**2013 (£'000)**	**2014 (£'000)**
Core Collections	44,211	49,260	59,153	13,968	15,441
Portfolio amortization	(19,216)	(24,580)	(28,733)	(7,235)	(8,184)
Income from purchased loan portfolios	24,995	24,680	30,420	6,733	7,257
Portfolio write-up/(write-down)	(430)	2,558	8,904	2,684	17
Portfolio impairment	(2,901)	(510)	(11,654)	(1,516)	(739)
Income from asset management	10,081	7,706	4,799	1,314	1,156
Total revenue	**31,745**	**34,434**	**32,469**	**9,215**	**7,691**

During the periods indicated below, income from purchased loan portfolios ranged from 56.5% to 47.0% of Core Collections.

	Year ended March 31,			Three months ended June 30,	
	2012 (%)	2013 (%)	2014 (%)	2013 (%)	2014 (%)
Portfolio amortization, portfolio write-up and portfolio impairment as a % of Core Collections	51.0	45.7	53.2	43.4	57.7
Income from purchased loan portfolios as a % of Core Collections	56.5	50.1	51.4	48.2	47.0

The Capquest Group's portfolio amortization, portfolio write-up/(write-down) and portfolio impairment as a percentage of Core Collections has generally been higher than those of ours due to the Capquest Group's acquisition of portfolios at a lower return than its historical performance, as well as portfolio impairments caused by lower realized Core Collections compared to its ERC forecast on specific portfolio purchases, including a large tertiary loan portfolio purchased in June 2013.

Collection Activity Costs and operational efficiency

The majority of costs to service a portfolio are incurred at the beginning of the Capquest Group's ownership of the portfolio, mainly driven by the cost of printing and postage associated with sending letters to customers and time spent making contact with the customers. The front-loaded nature of the Collection Activity Costs combined with the volume of portfolios purchased in a period therefore has an impact on the Collection Cost Ratio of the Capquest Group's business in any particular period. In a year of significant portfolio purchase activity, or where a large proportion of portfolios were purchased late in the financial year, the Capquest Group tends to see an increase in the Collection Cost Ratio on its entire portfolio asset base. There would be an opposite effect if the Capquest Group decreased the rate of portfolio purchases, such as in a run-off scenario, or had a higher proportion of portfolio purchases early in the year.

Results of Operations

The following table sets forth information relating to the Capquest Group's balance sheet and the statement of comprehensive income (in the latter case, including as a percentage of its total revenue) during the periods indicated.

Balance sheet data

	March 31,			June 30,
	2012 (£'000)	2013 (£'000)	2014 (£'000)	2014 (£'000)
Purchased loan portfolios (asset)	67,651	102,287	116,362	110,180
Intangible assets (asset)	25,285	25,348	29,568	30,722
Loans (liability)	43,401	57,864	64,366	60,266
Unsecured loan notes (liability)	57,837	73,168	94,354	94,354

Purchased loan portfolios

The balance sheet value of the purchased loan portfolios is derived based on the 84-Month Gross ERC for each relevant period. As set forth in the table below, the Capquest Group has experienced significant annual Gross ERC growth to March 31, 2014, as a result of the forecast collections from portfolio purchases completed in each year exceeding the collections made in that year.

	As of March 31,			As of June 30,
	2012 (£m)	2013 (£m)	2014 (£m)	2014 (£m)
84-Month Gross ERC[(1)]	154.6	200.3	216.8	207.4
120-Month Gross ERC[(1)]	170.8	230.1	247.4	236.4

(1) Gross ERC in the table above represents the Capquest Group's historical Gross ERC, as prepared by the Capquest Group. The Capquest Group's Gross ERC going forward will be, based on our own view of such Gross ERC derived from the account-level (re)underwriting of the Capquest Group's loan portfolios using our proprietary ERC forecasting model. Based on such account-level (re)underwriting, we expect to generate on these loan portfolios an 84-Month Gross ERC of £190.9 million and 120-Month Gross ERC of £224.5 million, respectively, as of June 30, 2014.

The balance sheet value of the Capquest Group's purchased loan portfolios decreased £6.2 million, or 5.3%, from £116.4 million as of March 31, 2014 to £110.2 million as of June 30, 2014. This decrease was principally due to portfolio acquisitions during the three months ended June 30, 2014 of £2.7 million being more than offset by collections on loan portfolios during the period, as well as a net portfolio impairment of £0.7 million reflecting the downward re-forecast of expected Gross ERC relating to specific underperforming portfolio purchases.

The balance sheet value of the Capquest Group's purchased loan portfolios increased £14.1 million, or 13.8%, from £102.3 million as of March 31, 2013 to £116.4 million as of March 31, 2014. This increase was principally due to portfolio acquisitions of £45.6 million during the financial year, which was partially offset by increased collections during the period, as well as a net portfolio impairment of £2.7 million reflecting the downward re-forecast of expected Gross ERC relating primarily to a specific underperforming portfolio purchase made in June 2013.

The balance sheet value of the Capquest Group's purchased loan portfolios increased £34.6 million, or 51.1%, from £67.7 million as of March 31, 2012 to £102.3 million as of March 31, 2013. This increase was principally due to portfolio acquisitions of £57.2 million during the financial year (which was the Capquest Group's largest annual expenditure on portfolio acquisitions to date), as well as a net portfolio write-up of £2.0 million (compared to a net portfolio impairment of £3.3 million in the prior financial year).

The movements in purchased loan portfolio assets were as follows:

	FY 2012 £'000	FY 2013 £'000	FY 2014 £'000
As of the year brought forward	65,204	67,651	102,287
Portfolios acquired during the year	24,994	57,168	45,558
Core Collections	(44,211)	(49,260)	(59,153)
Income from purchased loan portfolios	24,995	24,680	30,420
Portfolio write up/(write-down)	(430)	2,558	8,904
Portfolio impairment	(2,901)	(510)	(11,654)
As of the year end	**67,651**	**102,287**	**116,362**

Intangible assets

The Capquest Group's intangible assets comprise goodwill and software licenses. The goodwill relates to the acquisition of the Capquest Group Limited and its subsidiaries by funds managed by TowerBrook in 2011. The recoverable amount is determined by assessing the fair value (bid price paid for the Capquest Group) less the costs associated with the sale against the carrying value of the net assets adjusted for the current financing structure of the Capquest Group. The current financing structure must be adjusted from the carrying value of the net assets as the bid price assumes that our funding structure will replace the current financing structure of the Capquest Group.

Loans

Loans of the Capquest Group (which comprise amounts payable under the Capquest Term and Revolving Credit Facilities) decreased £4.1 million, or 6.4%, from £64.4 million as of March 31, 2014 to £60.3 million as of June 30, 2014. This decrease was due to repayments made on the revolving credit facility from Core Collections during this period being greater than any drawdowns made. The term loan facility was fully drawn as of June 30, 2014 and March 31, 2014.

Loans increased £6.5 million, or 11.2%, from £57.9 million as of March 31, 2013 to £64.4 million as of March 31, 2014. This increase was due to increased net amounts drawn from the revolving credit facility in order to purchase loan portfolios. The term loan facility was fully drawn as of March 31, 2014 and March 31, 2013.

Loans increased £14.5 million, or 33.4%, from £43.4 million as of March 31, 2012 to £57.9 million as of March 31, 2013. This increase was due to increased net amounts drawn from the revolving credit facility in order to purchase loan portfolios. The term loan facility was fully drawn as of March 31, 2013 and March 31, 2012.

Unsecured loan notes

Unsecured loan notes of the Capquest Group (which represent the Capquest Management Loan Notes and the Capquest Shareholder Loan Notes) remained stable at £94.4 million as of June 30, 2014 and March 31, 2014.

Unsecured loan notes increased £21.2 million, or 29.0%, from £73.2 million as of March 31, 2013 to £94.4 million as of March 31, 2014. This increase was due to additional funding requirements in order purchase loan portfolios during the period, increased costs relating to the use of value accreting litigation strategies and the funding of Capquest Group's new integrated IT platform.

Unsecured loan notes increased £15.4 million, or 26.6%, from £57.8 million as of March 31, 2012 to £73.2 million as of March 31, 2013. This increase was due to an additional funding requirement for the purchase of a large portfolio purchase in November 2012.

Statement of comprehensive income data

	Year ended March 31,						Three months ended June 30,			
	2012		2013		2014		2013		2014	
	(£'000)	% of total revenue	(£'000)	% of total revenue	(£'000)	% of total revenue	(£'000)	% of total revenue	(£'000)	% of total revenue
Core Collections	44,211	139.3	49,260	143.1	59,153	182.2	13,968	151.6	15,441	200.8
Portfolio amortization	(19,216)	(60.5)	(24,580)	(71.4)	(28,733)	(88.5)	(7,235)	(78.5)	(8,184)	(106.4)
Income from purchased loan portfolios	24,995	78.7	24,680	71.7	30,420	93.7	6,733	73.1	7,257	94.4
Portfolio write-up/(down)	(430)	(1.4)	2,558	7.4	8,904	27.4	2,684	29.1	17	0.2
Portfolio impairment	(2,901)	(9.1)	(510)	(1.5)	(11,654)	(35.9)	(1,516)	(16.5)	(739)	(9.6)
Income from asset management	10,081	31.8	7,706	22.4	4,799	14.8	1,314	14.3	1,156	15.0
Total revenue	**31,745**	**100.0**	**34,434**	**100.0**	**32,469**	**100.0**	**9,215**	**100.0**	**7,691**	**100.0**
Operating expenses										
Collection Activity Costs	(13,891)	(43.8)	(13,214)	(38.4)	(17,060)	(52.5)	(3,097)	(33.6)	(3,694)	(48.0)
Professional fees and services	(4,577)	(14.4)	(2,438)	(7.1)	(1,601)	(4.9)	(971)	(10.5)	(748)	(9.7)
Of which non-recurring items	1,656	5.2	267	0.8	63	0.2	—	—	371	4.8
Professional fees and services excluding exceptional items	(2,921)	(9.2)	(2,171)	(6.3)	(1,538)	(4.7)	(971)	(10.5)	(377)	(4.9)
Other operating expenses	(10,713)	(33.7)	(11,565)	(33.6)	(14,391)	(44.3)	(3,549)	(38.5)	(3,276)	(42.6)
Of which non-recurring items	1,207	3.8	2,171	6.3	931	2.9	315	3.4	116	1.5
Other operating expenses excluding non-recurring items	(9,506)	(29.9)	(9,394)	(27.3)	(13,460)	(41.5)	(3,234)	(35.1)	(3,160)	(41.1)
Total operating expenses before non-recurring items	**(26,318)**	**(82.9)**	**(24,779)**	**(72.0)**	**(32,058)**	**(98.7)**	**(7,302)**	**(79.2)**	**(7,231)**	**(94.0)**
Non-recurring items	(2,863)	(9.0)	(2,438)	(7.1)	(994)	(3.1)	(315)	(3.4)	(487)	(6.3)
Total operating expenses	**(29,181)**	**(91.9)**	**(27,217)**	**(79.0)**	**(33,052)**	**(101.8)**	**(7,617)**	**(82.7)**	**(7,718)**	**(100.4)**
Operating profit/(loss)	**2,564**	**8.1**	**7,217**	**21.0**	**(583)**	**(1.8)**	**1,598**	**17.3**	**(27)**	**(0.4)**
Total finance income and costs	(11,316)	(35.6)	(13,915)	(40.4)	(17,023)	(52.4)	(3,198)	(34.7)	(4,868)	(63.3)
Loss before tax	**(8,752)**	**(27.6)**	**(6,698)**	**(19.5)**	**(17,606)**	**(54.2)**	**(1,600)**	**(17.4)**	**(4,895)**	**(63.6)**
Taxation credit on ordinary activities	1,495	4.7	574	1.7	59	0.2	12	0.1	—	—
Loss for the period attributable to equity shareholders	**(7,257)**	**(22.9)**	**(6,124)**	**(17.8)**	**(17,547)**	**(54.0)**	**(1,588)**	**(17.2)**	**(4,895)**	**(63.6)**

Statement of comprehensive income for the three months ended June 30, 2014 compared to the three months ended June 30, 2013

Total revenue

Total revenue decreased £1.5 million, or 16.3%, from £9.2 million in the three months ended June 30, 2013 to £7.7 million in the three months ended June 30, 2014. This decrease was principally due to the combined effects of the following:

- *Core Collections.* Core Collections increased £1.4 million, or 10.0%, from £14.0 million in the three months ended June 30, 2013 to £15.4 million in the three months ended June 30, 2014. This increase was due to increased purchases of loan portfolios made during 2014, including the purchase of the motor finance portfolios during February and March 2014.

- *Portfolio amortization.* Portfolio amortization increased £1.0 million, or 13.9%, from £7.2 million in the three months ended June 30, 2013 to £8.2 million in the three months ended June 30, 2014. This increase was due to the increase in Core Collections during the three months ended June 30, 2014. Portfolio amortization as a percentage of Core Collections increased 1.2 percentage points from 51.8% in the three months ended June 30, 2013 to 53.0% in the three months ended June 30, 2014.

This increase was due to the purchase of faster-liquidating motor finance portfolios (£8.5 million purchase spend in the fourth quarter of 2014), which accelerates the amortization curve.

- *Income from purchased loan portfolios.* As a result of the foregoing, income from purchased loan portfolios increased £0.6 million, or 9.8%, from £6.7 million in the three months ended June 30, 2013 to £7.3 million in the three months ended June 30, 2014.
- *Portfolio write-up and portfolio impairment.* The Capquest Group recognized net portfolio impairment of £0.7 million in the three months ended June 30, 2014 compared to a net portfolio write-up of £1.2 million in the three months ended June 30, 2013. The net portfolio impairment in the three months ended June 30, 2014 was mainly related to the downward re-forecast of expected Gross ERC relating to specific underperforming portfolio purchases, including a large tertiary loan portfolio purchased in June 2013. The net portfolio write-up in the three months ended June 30, 2013 mainly related to the upward re-forecast of expected Gross ERC relating to a large portfolio purchase made in November 2012.
- *Income from asset management.* Income from asset management decreased £0.2 million, or 15.0%, from £1.3 million in the three months ended June 30, 2013 to £1.1 million in the three months ended June 30, 2014. This decrease was due to a reduction in third party contingency commission, reflecting the decision to focus on a core group of banking and finance clients.

Total operating expenses

Total operating expenses increased £0.1 million, or 1.3%, from £7.6 million in the three months ended June 30, 2013 to £7.7 million in the three months ended June 30, 2014. This increase was principally due to the combined effects of the following:

- *Collection Activity Costs.* Collection activity costs increased £0.6 million, or 19.4%, from £3.1 million in the three months ended June 30, 2013 to £3.7 million in the three months ended June 30, 2014. This increase was primarily due to additional costs associated with litigation strategies, which experienced an increase in spend of £0.5 million from £0.1 million in the three months ended June 30, 2013 to £0.6 million in the three months ended June 30, 2014 as a result of a decision to increase litigation spend.
- *Professional fees and services.* Professional fees and services decreased £0.2 million, or 20.0%, from £1.0 million in the three months ended June 30, 2013 to £0.7 million in the three months ended June 30, 2014. This decrease was due to a reduction in the use of professional services associated with the implementation of the Capquest Group's new IT platform. The decrease was partially offset by the recognition of non-recurring costs within professional fees and services of £0.4 million in the three months ended June 30, 2014 (compared to nil in the three months ended June 30, 2013) in connection with the Capquest Acquisition process.
- *Other operating expenses.* Other operating expenses decreased £0.2 million, or 7.7%, from £3.5 million in the three months ended June 30, 2013 to £3.3 million in the three months ended June 30, 2014. This decrease was primarily due to a decrease in overhead staff costs as a result of a reduction in the use of project contractors previously used in change and transformation project management.

Operating profit/loss

As a result of the foregoing, the Capquest Group recognized an operating loss of £27,000 in the three months ended June 30, 2014 compared to an operating profit of £1.6 million in the three months ended June 30, 2013.

Capquest Adjusted EBITDA

Capquest Adjusted EBITDA increased £1.5 million, or 18.4%, from £8.1 million in the three months ended June 30, 2013 to £9.6 million in the three months ended June 30, 2014. This increase was principally due to an increase in Core Collections of £1.5 million. The Capquest Group's Collection Cost Ratio increased from 22.2% in the three months ended June 30, 2013 to 23.9% in the three months ended June 30, 2014 as a result of an increase in litigation costs (£0.5 million increase to £0.6 million in the three months ended June 30, 2014) reflecting the increased use of litigation collection strategies (while Core Collections increased by 10.5%, Collection Activity Costs increased by 19.3%). As a result of the foregoing, Capquest Adjusted EBITDA ratio improved from 58.2% in the three months ended June 30, 2013 to 62.3% in the three months ended June 30, 2014.

The following tables set forth the reconciliations of net cash flow from operating activities, (loss)/profit for the period attributable to equity shareholders and Core Collections, in each case, to Adjusted EBITDA for the periods indicated.

	Three months ended June 30,	
	2013 (£'000)	**2014 (£'000)**
Net cash flow used in operating activities	(16,874)	(46)
Purchases of loan portfolios	25,369	2,724
Purchases of loan notes	—	—
Proceeds from disposal of loan portfolios	—	—
Income taxes paid	5	60
Working capital adjustments[(a)]	(666)	6,398
Interest receivable[(b)]	(24)	(6)
Exceptional costs[(c)]	315	487
Capquest Adjusted EBITDA	**8,125**	**9,617**

	Three months ended June 30,	
	2013 (£'000)	**2014 (£'000)**
Loss for the period attributable to equity shareholders	(1,588)	(4,895)
Finance income and costs[(d)]	3,198	4,868
Taxation charge on ordinary activities	(12)	—
Operating profit/(loss)	**1,598**	**(27)**
Portfolio amortization	7,235	8,184
Portfolio write-up	(2,684)	(17)
Impairment of portfolios	1,516	739
Depreciation, amortization and impairment of intangible assets	145	251
Exceptional costs included under professional fees and services and other operating expenses[(c)]	315	487
Capquest Adjusted EBITDA	**8,125**	**9,617**

	Three months ended June 30,	
	2013 (£'000)	2014 (£'000)
Income from loan portfolios	6,733	7,257
Portfolio amortization	7,235	8,184
Core Collections	**13,968**	**15,441**
Profit on portfolios	—	—
Other income	1,314	1,156
Other expenses	(7,617)	(7,718)
Depreciation, amortization and impairment of intangible assets	145	251
Exceptional costs included under professional fees and services and other operating expenses(c)	315	487
Capquest Adjusted EBITDA	**8,125**	**9,617**

(a) The following table sets forth the working capital adjustments based on the Capquest Group's consolidated cash flow statements for the periods under review.

	Three months ended June 30,	
	2013 (£'000)	2014 (£'000)
(Increase)/decrease in other receivables	(168)	471
Acquisition expenses	—	371
Increase/(decrease) in trade and other payables	(813)	5,440
Restructuring(i)	94	—
Transformation project(ii)	221	116
Working capital adjustments	**(666)**	**6,398**

(i) Comprises expenses related to the exit of executive and senior managers.

(ii) See note (c) below.

(b) Interest receivable includes cash interest on cash deposits.

(c) Non-recurring costs are those that are separately identified by virtue of their size and incidence to allow a full understanding of the Capquest Group's underlying performance.

	Three months ended June 30,	
	2013 (£'000)	2014 (£'000)
Professional fees and services:		
Acquisition expenses	—	371(i)
Other operating expenses:		
Restructuring cost	94(ii)	—
Transformation project(iii)	221	116
Total non-recurring items	**315**	**487**

(i) Comprises expenses incurred in connection with the Capquest Acquisition.

(ii) Comprises expenses related to the exit of executive and senior managers.

(iii) Comprises expenses related to a project that focused on designing and rolling out ''model office'' processes, rebranding the Capquest Group and addressing legacy issues related to credit balance, suspense account and interest calculations.

Finance income and costs

Total finance income and costs increased £1.7 million, or 54.9%, from £3.2 million in the three months ended June 30, 2013 to £4.9 million in the three months ended June 30, 2014. This increase was primarily due to increased interest payable in respect of the Capquest Shareholder Loan Notes and the Capquest Management Loan Notes as a result of additional loan notes being advanced to the Capquest Group for funding of loan portfolio purchases and costs in relation to Capquest Group's new IT platform, as well as increased commitment fees payable on the Capquest Term and Revolving Credit Facilities following Citigroup's entry into the revolving credit facility syndicate in June 2013. The three months ended June 30, 2014 also included additional charges relating to the facility commitment fees following a catch-up adjustment being made during the quarter relating to prior periods. The increase was also due to lower fair value gains on interest rate swaps (£0.1 million in the three months ended June 30, 2014 compared to £0.7 million in the three months ended June 30, 2013).

Loss attributable to equity shareholders

As a result of the foregoing, loss for the period attributable to equity shareholders increased £3.3 million from a loss of £1.6 million in the three months ended June 30, 2013 to a loss of £4.9 million in the three months ended June 30, 2014.

Statement of comprehensive income for FY 2014 compared to FY 2013

Total revenue decreased £2.1 million, or 6.1%, from £34.4 million in FY 2013 to £32.5 million in FY 2014. This decrease was principally due to the combined effects of the following:

- *Core Collections.* Core Collections increased £9.9 million, or 20.1%, from £49.3 million in FY 2013 to £59.2 million in FY 2014. This increase was due to increased portfolio purchases during FY 2013.
- *Portfolio amortization.* Portfolio amortization increased £4.1 million, or 16.7%, from £24.6 million in FY 2013 to £28.7 million in FY 2014. This increase was due to the increase in Core Collections. Portfolio amortization as a percentage of Core Collections remained largely stable at 49.9% in FY 2013 and 48.6% in FY 2014.
- *Income from purchased loan portfolios.* As a result of the foregoing, income from purchased loan portfolios increased £5.7 million, or 23.3%, from £24.7 million in FY 2013 to £30.4 million in FY 2014.
- *Portfolio write-up and impairment.* The Capquest Group recognized a net portfolio impairment of £2.8 million in FY 2014 compared to a net portfolio write-up of £2.0 million in FY 2013. The net portfolio write-up impairment in FY 2014 mainly reflected the downward re-forecast of expected Gross ERC relating to a specific underperforming portfolio purchase made in June 2013.
- *Income from asset management.* Income from asset management decreased £2.9 million, or 37.7%, from £7.7 million in FY 2013 to £4.8 million in FY 2014. This decrease was due to a reduction in third party contingency commission, reflecting the decision to rationalize the contingency collection client base.

Total operating expenses

Total operating expenses increased £5.9 million, or 21.7%, from £27.2 million in FY 2013 to £33.1 million in FY 2014. This increase was principally due to the combined effects of the following:

- *Collection Activity Costs.* Collection Activity Costs increased £3.9 million, or 29.6%, from £13.2 million in FY 2013 to £17.1 million in FY 2014. This increase was due to an increase in the costs associated with litigation activity, as well as an increase in postage and printing costs as a result of an increase in the number of letters sent reflecting the change in loan portfolio purchasing mix, as well an increase in postage unit costs passed on from suppliers.
- *Professional fees and services.* Professional fees and services decreased £0.8 million, or 33.4%, from £2.4 million in FY 2013 to £1.6 million in FY 2014. This decrease was due primarily to non-recurring expenses incurred in FY 2013, including expenses in relation to the Capquest Group's transformation project incorporating the ''model office'' process (consultancy advice relating to the Capquest Group's approach to customer contact and operational improvements designed to increase utilization rates) and office design, as well as expenses in relation to the implementation of the Capquest Group's new IT platform and an internal controls audit design to test and improve the robustness of controls within the organization.
- *Other operating expenses.* Other operating expenses increased £2.8 million, or 24.1%, from £11.6 million in FY 2013 to £14.4 million in FY 2014. This increase was primarily due to an increase in staff costs relating to the transformation project team salaries/contractor fees and new senior management team salaries of £1.7 million, from £7.0 million in FY 2013 to £8.7 million in FY 2014, and an increase in expenses with respect to rebranding fees, increased travel expenses, additional training costs and capital expenditure depreciation of £0.9 million, from £1.0 million in FY 2013 to £1.9 million in FY 2014. This increase was also due to higher premises costs of £0.2 million relating to having both a Regus office and new office in Glasgow for a time, and paying rent on the Fleet office facility and the new Farnborough head office for part of FY 2014. This increase was partially

offset by reduced non-recurring costs in relation to a reclassification of the transformation project team salaries/contractors fees (previously treated as a non-recurring item in FY 2013), scoping expenses in relation to the Capquest Group's new IT platform and the closure of the Capquest Group's South African collections platform.

Operating profit/loss

As a result of the foregoing, the Capquest Group recognized an operating loss of £0.6 million in FY 2014 compared to operating profit of £7.2 million in FY 2013.

Capquest Adjusted EBITDA

Capquest Adjusted EBITDA decreased £0.2 million, or 0.6%, from £32.8 million in FY 2013 to £32.6 million in FY 2014. This decrease was principally due to an increase in costs associated with litigation collections strategies, creating security on previously unsecured loan balances and future Gross ERC expectations. The Capquest Group's Collection Cost Ratio increased from 26.8% in FY 2013 to 28.8% in FY 2014 as a result of the increase in litigation activity, with an increase of £0.5 million to £0.6 million (while Core Collections increased by 20.1%, Collection Activity Costs increased by 29.1%). As a result of the foregoing, the Capquest Group's Adjusted EBITDA ratio decreased from 66.5% in FY 2013 to 55.1% in FY 2014.

The following tables set forth the reconciliations of net cash flow from operating activities, (loss)/profit for the period attributable to equity shareholders and Core Collections, in each case, to Adjusted EBITDA for the periods indicated.

	Year ended March 31,	
	2013 (£'000)	**2014 (£'000)**
Net cash flow used in operating activities	(27,504)	(5,843)
Purchases of loan portfolios	57,168	40,758
Income taxes paid	(6)	—
Working capital adjustments[(a)]	659	(3,272)
Interest receivable[(b)]	(11)	(19)
Exceptional costs[(c)]	2,438	994
Capquest Adjusted EBITDA	**32,744**	**32,618**

	Year ended March 31,	
	2013 (£'000)	**2014 (£'000)**
Loss for the period attributable to equity shareholders	(6,124)	(17,547)
Finance income and costs	13,915	17,023
Taxation charge on ordinary activities	(574)	(59)
Operating profit/(loss)	7,217	(583)
Portfolio amortization	24,580	28,733
Portfolio write-up	(2,558)	(8,904)
Impairment of portfolios	510	11,654
Depreciation, amortization and impairment of intangible assets	557	721
Sale of asset	—	3
Exceptional costs included under professional fees and services and other operating expenses[(c)]	2,438	994
Capquest Adjusted EBITDA	**32,744**	**32,618**

	Year ended March 31,	
	2013 (£'000)	2014 (£'000)
Income from loan portfolios	24,680	30,420
Portfolio amortization	24,580	28,733
Core Collections	**49,260**	**59,153**
Profit on portfolios	—	—
Other income	7,706	4,799
Other expenses	(27,217)	(33,052)
Depreciation, amortization and impairment of intangible assets	557	721
Loss on sale of asset	—	3
Exceptional costs included under professional fees and services and other operating expenses[(c)]	2,438	994
Capquest Adjusted EBITDA	**32,744**	**32,618**

(a) The following table sets forth the working capital adjustments based on the Capquest Group's consolidated cash flow statements for the periods under review.

	Year ended March 31,	
	2013 (£'000)	2014 (£'000)
(Increase)/decrease in other receivables	(100)	(28)
Decrease in trade and other payables	(1,619)	(4,170)
Increase in tax position	—	(5)
Restructuring[(i)]	1,104	464
Transformation project[(i)]	1,274	467
Working capital adjustments	**659**	**(3,272)**

(i) See note (c) below.

(b) Interest receivable includes cash interest on cash deposits.

(c) Non-recurring costs are those that are separately identified by virtue of their size and incidence to allow a full understanding of the Capquest Group's underlying performance. The following table sets forth the breakdown of non-recurring costs during the periods under review.

	Year ended March 31,	
	2013 (£'000)	2014 (£'000)
Professional fees and services:		
Acquisition expenses	60[(i)]	63[(ii)]
Restructuring cost	207[(iii)]	—
Other operating expenses:		
Restructuring cost	897[(iv)]	464[(v)]
Transformation project[(vi)]	1,274	467
Total non-recurring items	**2,438**	**994**

(i) Comprises expenses incurred in connection with the acquisition of the Glasgow office.

(ii) Comprises expenses incurred in connection with the acquisition of a motor finance portfolio.

(iii) Comprises expenses incurred in connection with the closure of the South African collections platform and the vendor selection process undertaken in connection with the Capquest Group's new IT platform.

(iv) Comprises expenses related to the exit of executive and senior managers and subsequent executive recruitment fees, and redundancy costs associated with the closure of the South African collections platform.

(v) Comprises expenses related to the exit of executive and senior managers and dilapidation expenses on the exit from the collections platform in Twickenham.

(vi) Comprises expenses related to a project that focused on designing and rolling out ''model office'' processes, rebranding the Capquest Group and addressing legacy issues related to credit balance, suspense account and interest calculations.

Finance income and costs

Total finance income and costs increased £3.1 million, or 22.3%, from £13.9 million in FY 2013 to £17.0 million in FY 2014. This increase was due to an increase in interest costs on the Capquest Shareholder Loan Notes and the Capquest Management Loan Notes as a result of additional loan notes that were advanced to the Capquest Group for funding loan portfolio purchases, costs in relation to the Capquest Group's new IT platform, as well as increased interest payable in respect of the Capquest Term and Revolving Credit Facilities due to increased drawings and an increase in amortization of financing costs and commitment fees relating to the increase of the facility limit in June 2013 upon Citibank joining the revolving credit facility syndicate. This increase was partially offset by increased gains on interest rate swaps.

Taxation

Tax income decreased £0.5 million, or 83.3%, from £0.6 million in FY 2013 to £0.1 million in FY 2014. This decrease was primarily due to a £0.4 million increase in disallowed interest. There was also a £2.4 million increase in the tax income due to the increase in accounts losses during FY 2014 for the cumulative reasons specified in detail above. This was, however, largely offset by the £2.6 million unrecognized deferred tax asset arising from the tax losses carried forward in FY 2014.

Loss for the year attributable to equity shareholders

As a result of the foregoing, loss for the year attributable to equity shareholders increased £11.4 million from a loss of £6.1 million in FY 2013 to a loss of £17.5 million in FY 2014.

Statement of comprehensive income for FY 2013 compared to FY 2012

Total revenue increased £2.6 million, or 8.2%, from £31.8 million in FY 2012 to £34.4 million in FY 2013. This increase was principally due to the combined effects of the following:

- *Core Collections.* Core Collections increased £5.1 million, or 11.5%, from £44.2 million in FY 2012 to £49.3 million in FY 2013. This increase was due to increases in portfolio loan purchases made during FY 2013.
- *Portfolio amortization.* Portfolio amortization increased £5.4 million, or 27.9%, from £19.2 million in FY 2012 to £24.6 million in FY 2013. This increase was due to the increase in portfolio loan purchases made during FY 2013. Portfolio amortization as a percentage of Core Collections increased 6.5 percentage points from 43.5% in FY 2012 to 50.0% in FY 2013 reflecting the changing mix of loan portfolio purchases made compared to prior years with the focus moving from tertiary to prime/paying portfolios.
- *Income from purchased loan portfolios.* As a result of the foregoing, income from purchased loan portfolios decreased £0.3 million, or 1.2%, from £25.0 million in FY 2012 to £24.7 million in FY 2013.
- *Portfolio write-up and impairment.* The Capquest Group recognized a net portfolio write-up of £2.0 million in FY 2013 compared to a net portfolio impairment of £3.3 million in FY 2012. The net portfolio write-up in FY 2013 was required to recognize the over-performance and resulting increase in Gross ERC collections forecast for a large paying portfolio purchased in November 2012, as well as recovering telecommunications portfolios that were subject to impairment during FY 2012.
- *Income from asset management.* Income from asset management decreased £2.4 million, or 23.8%, from £10.1 million in FY 2012 to £7.7 million in FY 2013. This decrease was due to a reduction in the number of contingency collections clients and the purchase of a significant tail of contingency collection accounts.

Total operating expenses

Total operating expenses decreased £2.0 million, or 6.8%, from £29.2 million in FY 2012 to £27.2 million in FY 2013. This decrease was principally due to the combined effects of the following:

- *Collection Activity Costs.* Collection Activity Costs decreased £0.7 million, or 5.0%, from £13.9 million in FY 2012 to £13.2 million in FY 2013. This decrease was primarily due to a £0.4 million decrease in postage and printing costs resulting from a 40% reduction in letter volumes in FY 2013 as a result of the change in mix of loan portfolios purchased, as well as reduced data usage fees.

This decrease was partially offset by increases in collection staff costs as the platform grew to support the increased loan portfolio purchases made during FY 2012 and FY 2013.

- *Professional fees and services.* Professional fees and services decreased £2.2 million, or 47.8%, from £4.6 million in FY 2012 to £2.4 million in FY 2013. This decrease was primarily due to a decrease in non-recurring costs compared to FY 2012 (which included legal and professional fees incurred in relation to the acquisition of Capquest Group Limited and its subsidiaries by funds managed by TowerBrook in August 2011).
- *Other operating expenses.* Other operating expenses increased £0.9 million, or 8.4%, from £10.7 million in FY 2012 to £11.6 million in FY 2013. This increase was due to a £1.6 million increase in staff costs (from £5.4 million in FY 2012 to £7.0 million in FY 2013) as a result of restructuring of the senior management team following the sale of Capquest Group Limited and its subsidiaries to funds managed by TowerBrook, as well as the growth of the indirect functions to support the expected growth in portfolio purchasing and increasing regulatory compliance requirements. In addition, increased premises costs were incurred while the fit-out of the Capquest Group's Glasgow office was undertaken. This increase was partially offset by an impairment of intangible asset due to the write-off of the Capquest Group's internally developed replacement collections systems of £1.2 million taken in FY 2012, which was not repeated in FY 2013.

Capquest Adjusted EBITDA

Capquest Adjusted EBITDA increased £3.0 million, or 10.1%, from £29.8 million in FY 2012 to £32.8 million in FY 2013. This increase was principally due to increased revenue as a result of loan portfolio purchases and the foregoing movements in Collection Activity Costs, professional fees and services and other operating expenses. The Capquest Group's Collection Cost Ratio decreased from 31.4% in FY 2012 to 26.8% in FY 2013 as a result of the reduction in Collection Activity Costs (while Core Collections increased by 11.4%, Collection Activity Costs decreased by 4.9%). As a result of the foregoing, Capquest Adjusted EBITDA ratio decreased from 67.4% in FY 2012 to 66.5% in FY 2013.

The following tables set forth the reconciliations of net cash flow from operating activities, (loss)/profit for the period attributable to equity shareholders and Core Collections, in each case, to Adjusted EBITDA for the periods indicated.

	Year ended March 31,	
	2012 (£'000)	2013 (£'000)
Net cash flow used in operating activities	709	(27,504)
Purchases of loan portfolios	24,994	57,168
Income taxes paid	588	(6)
Working capital adjustments[(a)]	680	659
Interest receivable[(b)]	(20)	(11)
Exceptional costs[(c)]	2,863	2,438
Capquest Adjusted EBITDA	**29,814**	**32,744**

	Year ended March 31,	
	2012 (£'000)	2013 (£'000)
Loss for the period attributable to equity shareholders	(7,257)	(6,124)
Interest expense	11,316	13,915
Taxation charge on ordinary activities	(1,495)	(574)
Operating profit	2,564	7,217
Portfolio amortization	19,216	24,580
Portfolio (write-up)/write down	430	(2,558)
Impairment of portfolios	2,901	510
Depreciation, amortization and impairment of intangible assets	1,840	557
Exceptional costs[(c)]	2,863	2,438
Capquest Adjusted EBITDA	**29,814**	**32,744**

	Year ended March 31,	
	2012 (£'000)	2013 (£'000)
Income from loan portfolios	24,995	24,680
Portfolio amortization	19,216	24,580
Core Collections	**44,211**	**49,260**
Other income	10,081	7,706
Other expenses	(29,181)	(27,217)
Depreciation, amortization and impairment of intangible assets	1,840	557
Exceptional costs[(c)]	2,863	2,438
Capquest Adjusted EBITDA	**29,814**	**32,744**

(a) The following table sets forth the working capital adjustments based on the Capquest Group's consolidated cash flow statements for the periods under review.

	Year ended March 31,	
	2012 (£'000)	2013 (£'000)
Increase in other receivables	(115)	(100)
Acquisition expenses	1,656	—
Decrease in trade and other payables	(861)	(1,619)
Restructuring	—	1,104
Transformation project	—	1,274
Working capital adjustments	**680**	**659**

(b) Interest receivable includes cash interest on cash deposits.

(c) Non-recurring costs are those that are separately identified by virtue of their size and incidence to allow a full understanding of the Capquest Group's underlying performance. The following table sets forth the breakdown of non-recurring costs during the periods under review.

	Year ended March 31,	
	2012 (£'000)	2013 (£'000)
Professional fees and services:		
Acquisition expenses	1,656[(i)]	60[(ii)]
Restructuring cost	—	207[(iii)]
Other operating expenses:		
Restructuring cost	—	897[(iv)]
Transformation project	—	1,274[(v)]
Technology impairments	1,207[(vi)]	—
Total non-recurring items	**2,863**	**2,438**

(i) Comprises expenses incurred in connection with the acquisition of Capquest Group Limited and its subsidiaries by funds managed by TowerBrook.

(ii) Comprises expenses incurred in connection with the acquisition of the Glasgow office.

(iii) Comprises expenses incurred in connection with the closure of the South African collections platform and the vendor selection process undertaken in connection with the Capquest Group's new IT platform.

(iv) Comprises expenses related to the exit of executive and senior managers and subsequent executive recruitment fees, and redundancy costs associated with the closure of the South African collections platform.

(v) Comprises expenses related to a project that focused on designing and rolling out ''model office'' processes, rebranding the Capquest Group and addressing legacy issues related to credit balance, suspense account and interest calculations.

(vi) Comprises costs related to the write-off of the Capquest Group's internally developed replacement collections systems.

Operating profit/loss

As a result of the foregoing, the Capquest Group's operating profit increased £4.7 million from £2.6 million in FY 2012 to £7.2 million in FY 2013.

Finance income and costs

Total finance income and costs increased £2.6 million, or 18.2%, from £11.3 million in FY 2012 to £13.9 million in FY 2013. This increase was primarily due to increased interest payable in respect of the Capquest Shareholder Loan Notes and the Capquest Management Loan Notes as a result of the new funding structure of the Capquest Group following the purchase by funds managed by TowerBrook in August 2011, as well as increased interest payable in respect of the Capquest Term and Revolving Credit Facilities due to increased drawings for loan portfolio purchases. This increase was also due to increased losses on interest rate swaps and amortization of financing costs with respect to the renewal and increase of the Capquest Term and Revolving Credit Facilities in August 2011 upon the purchase by funds managed by TowerBrook.

Taxation

Tax income decreased £0.9 million, or 61.6%, from £1.5 million in FY 2012 to £0.6 million in FY 2013. This decrease was primarily due to a £0.6 million decrease in disallowable expenditure, mainly attributable to disallowable legal fees in FY 2012 on the acquisition by funds managed by TowerBrook. There was also a £0.6 million decrease in accounts losses during FY 2013 for the cumulative reasons specified in detail above, and a £0.7 million increase in disallowed interest. Finally, tax rates dropped by two percentage points, from 26% in FY 2012 to 24% in FY 2013, which caused the remaining £0.1 million decrease.

Loss attributable to equity shareholders

As a result of the foregoing, loss for the year attributable to shareholders decreased £1.2 million, or 16.4%, from £7.3 million in FY 2012 to £6.1 million in FY 2013.

Liquidity and Capital Resources

Overview

During the periods under review, the Capquest Group's principal sources of liquidity consisted of operating cash flow before purchases of loan portfolios, and borrowings under the Capquest Term and Revolving Credit Facilities, the Capquest Shareholder Loan Notes and the Capquest Management Loan Notes. In connection with the Capquest Acquisition, the borrowings under Capquest Term and Revolving Credit Facilities, the Capquest Shareholder Loan Notes and the Capquest Management Loan Notes will be repaid and the related facilities terminated.

The Capquest Group's principal uses of funds are to fund working capital, debt purchases and capital expenditures, and to service debt and tax requirements.

Cash flow

The following table summarizes the principal components of the Capquest Group's consolidated cash flows for the periods under review:

	Year ended March 31,			Three months ended June 30,	
	2012 (£'000)	**2013 (£'000)**	**2014 (£'000)**	**2013 (£'000)**	**2014 (£'000)**
Net cash flow from operating activities before purchases of loan portfolios and loan notes	25,703	29,664	34,915	8,495	2,678
Purchases of loan portfolios	(24,994)	(57,168)	(40,758)	(25,369)	(2,724)
Net cash (used in)/from operating activities	709	(27,504)	(5,843)	(16,874)	(46)
Net cash used in investing activities	(7,694)	(561)	(9,457)	(1,139)	(1,285)
Net cash generated by financing activities	13,019	24,839	21,451	16,891	(5,568)
Net increase (decrease) in cash and cash equivalents	**6,034**	**(3,226)**	**6,151**	**(1,122)**	**(6,899)**

Three months ended June 30, 2014 compared to three months ended June 30, 2013

Net cash flow from operating activities before purchases of loan portfolios decreased £5.8 million, or 68.3%, from £8.5 million in the three months ended June 30, 2013 to £2.7 million in the three months ended June 30, 2014. This decrease was principally due to a £4.8 million release of accrual relating to the purchase of a motor finance portfolio where the purchase was agreed and recognized in March 2014 and funds subsequently transferred to the Debt Originator in April 2014.

Net cash used in investing activities increased £0.2 million, or 18.2%, from £1.1 million in the three months ended June 30, 2013 to £1.3 million in the three months ended June 30, 2014. This increase was principally due to an increase in the purchase of intangible assets (from £0.1 million in the three months ended June 30, 2013 to £1.2 million in the three months ended June 30, 2014) in connection with the implementation of the Capquest Group's new IT platform. This increase was partially offset by a decrease in purchases of property, plant and equipment (from £1.1 million in the three months ended June 30, 2013 to £0.1 million in the three months ended June 30, 2014).

Net cash flow from financing activities decreased from an inflow of £16.9 million in the three months ended June 30, 2013 to an outflow of £5.6 million in the three months ended June 30, 2014. The outflow in the three months ended June 30, 2014 primarily related to repayment of borrowings under the Capquest Term and Revolving Credit Facilities. The inflow in the three months ended June 30, 2013 primarily related to additional Capquest Shareholder Loan Notes issued by the Capquest Group and additional drawdowns from the Capquest Term and Revolving Credit Facilities to finance loan portfolio purchasing activity.

FY 2014 compared to FY 2013

Net cash flow from operating activities before purchases of loan portfolios increased £5.2 million, or 17.5%, from £29.7 million in FY 2013 to £34.9 million in FY 2014. This increase was principally due to increased Core Collections offset in part by an increase in Collection Activity Costs, as well as the motor finance purchase accrual.

Net cash used in investing activities increased £8.9 million from £0.6 million in FY 2013 to £9.5 million in FY 2014. This increase was due to an increase in purchases of property, plant and equipment (from £0.3 million in FY 2013 to £5.0 million in FY 2014) in connection with the implementation of the Capquest Group's new IT platform and the new office fit-outs in Glasgow and Farnborough, as well as an increase in the purchase of intangible assets (from £0.3 million in FY 2013 to £4.5 million in FY 2014) in connection with the implementation of the Capquest Group's new IT platform and the new office fit-outs in Glasgow and Farnborough.

Net cash flow from financing activities decreased £3.3 million, or 13.3%, from £24.8 million in FY 2013 to £21.5 million in FY 2014. This decrease was principally due to reduced portfolio purchasing spend in FY 2014 compared to FY 2013.

FY 2013 compared to FY 2012

Net cash flow from operating activities before purchases of loan portfolios increased £4.0 million, or 15.6%, from £25.7 million in FY 2012 to £29.7 million in FY 2013. This increase was principally due to increased Core Collections during FY 2013 as a result of increased loan portfolio purchases, in addition to lower professional fees and services (owing to non-recurring costs incurred in FY 2012 in connection with the acquisition of Capquest Group Limited and its subsidiaries by funds managed by TowerBrook).

Net cash used in investing activities decreased £7.1 million, or 92.2%, from £7.7 million in FY 2012 to £0.6 million in FY 2013. This decrease was principally attributable to £7.2 million, net of cash acquired, spent in the acquisition of Capquest Group Limited and its subsidiaries by funds managed by TowerBrook in FY 2012.

Net cash flow from financing activities increased £11.8 million, or 90.8%, from £13.0 million in FY 2012 to £24.8 million in FY 2013. This increase was due to draw downs under the revised Capquest Term and Revolving Credit Facilities.

Borrowings

Capquest Term and Revolving Credit Facilities

Certain entities in the Capquest Group are party to the Capquest Term and Revolving Credit Facilities with The Royal Bank of Scotland plc, Citibank, N.A. London Branch, NAC EuroLoan Advantage 1 Limited, Mercator CLO I PLC, Mercator CLO III Limited and Lloyds Bank plc as lenders and The Royal Bank of Scotland plc as agent and security agent.

The Capquest Term and Revolving Credit Facilities comprise (i) a term loan with total commitments of £16.1 million and (ii) a revolving credit facility with total commitments of £110.0 million. Amounts drawn under the revolving credit facility may be repaid and re-borrowed from time to time.

The term loan bears interest at a rate per annum equal to LIBOR plus certain mandatory costs and a margin of 5.50% per annum, while the revolving credit facility bears interest at a rate per annum equal to LIBOR plus certain mandatory costs and a margin of 4.50% per annum. The revolving credit facility also provides for a commitment fee of 1.75% per annum on the available commitment.

The term loan expires in August 2018, while the revolving credit facility expires in December 2016.

The obligations of the Capquest Group under the Capquest Term and Revolving Credit Facilities are secured by asset and shares of the relevant obligors.

The Capquest Group's financial and operating performance is monitored by certain financial covenants in the Capquest Term and Revolving Credit Facilities related to total interest cover, minimum tangible net worth, debt coverage ratio, asset coverage ratio and collection ratio, all of which are tested monthly. The Capquest Group was in compliance with the financial covenants throughout the periods under review, except for a breach of the debt coverage ratio covenant in February 2012 and January 2014, which were waived in each case because the breach resulted from unforeseen issues in the drafting of the debt coverage ratio calculation, as defined in the Capquest Term and Revolving Credit Facilities, resulting in a one month breach that self-corrected in the following month.

As of June 30, 2014, the Capquest Group had drawn the entire £16.1 million under the term loan, and £42.7 million under the revolving credit facility. We expect to use a portion of the net proceeds of this Offering to repay the amounts (including breakage costs) outstanding under, and terminate, the Capquest Term and Revolving Credit Facilities. See ''Use of Proceeds.''

Capquest Shareholder Loan Notes and Capquest Management Loan Notes

In August 2011, the Capquest Group issued the Capquest Shareholder Loan Notes of £52.0 million to Quest Holdings B.V. Subsequently, the Capquest Group issued additional Capquest Shareholder Loan Notes to the same entity on various occasions, with £88.4 million outstanding as of June 30, 2014. The Capquest Shareholder Loan Notes bear interest at a rate of 12% per annum and are due in 2020. The Capquest Group may redeem, at its option, some or all of the Capquest Shareholder Loan Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any.

In August 2011, the Capquest Group issued the Capquest Management Loan Notes of £5.8 million to certain members of its management. The Capquest Group has repaid existing, and issued additional, Capquest Management Loan Notes on various occasions, with £5.9 million outstanding as of June 30, 2014. The Capquest Management Loan Notes bear interest at a rate of 12% per annum and are due in 2020. The Capquest Group may redeem, at its option, some or all of the Capquest Management Loan Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any.

In July 2014, all of the interest accrued on the Capquest Shareholder Loan Notes and the Capquest Management Loan Notes (£27.2 million as of June 30, 2014) was converted into shares in Quest Topco Limited.

We expect to use a portion of the net proceeds of this Offering to repay the amounts outstanding under, and terminate, the Capquest Shareholder Loan Notes and the Capquest Management Loan Notes. See ''Use of Proceeds.''

Lombard Financing Arrangements.

Capquest Debt Recovery Limited has entered into the Lombard Loans with Lombard North Central PLC for the purchase of certain assets, as well as the Lombard Sale and Leaseback Agreements with Lombard Technology Services Limited. As of June 30, 2014, the Capquest Group had £1.6 million of borrowings outstanding under the Lombard Financing Arrangements.

A change of control of the Capquest Group under the Lombard Financing Arrangements (which the Capquest Acquisition would constitute) would result in a termination of the underlying agreements (either automatically or at the lender's discretion). We have confirmed with the relevant lenders that the Lombard Financing Arrangements will be repaid in full and terminated upon the completion of the Capquest Acquisition.

Hedging Arrangements

Capquest Investments Limited has entered into certain 2002 ISDA master agreements with The Royal Bank of Scotland plc and Lloyds Bank plc to hedge a portion of the interest rate component of amounts borrowed under the Capquest Term and Revolving Credit Facilities. We expect to terminate these hedging arrangements with a portion of the net proceeds of the Offering. See ''Use of Proceeds.''

Capital expenditure

The Capquest Group's capital expenditure comprises expenditure relating to office properties, office fit-outs and IT equipment, including the implementation of the Capquest Group's new IT platform.

We expect capital expenditures in respect of the Capquest Group for the rest of 2014 to be higher than its capital expenditures during the periods under review, as a result of the implementation of its new IT platform.

The Capquest Group's capital expenditures increased from £1.1 million in the three months ended June 30, 2013 to £1.3 million in the three months ended June 30, 2014. The key expenditure in the three months ended June 30, 2014 related to the implementation of the Capquest Group's new IT platform.

Capital expenditures increased from £0.6 million in FY 2013 to £9.5 million in FY 2014. The key expenditure in FY 2014 included expenditure in relation to the implementation of the Capquest Group's new IT platform and the relocation to and re-fit of the Capquest Group's head office in Farnborough.

Capital expenditures increased from £0.5 million in FY 2012 to £0.6 million in FY 2013.

Contractual Obligations and Commitments

The following table sets forth as of June 30, 2014, giving effect to the Offering and the use of proceeds therefrom, a summary of the Capquest Group's contractual obligations and commercial commitments.

	Payments to be made by period				
	Less than 1 year (£'000)	From 1 to 3 years (£'000)	From 3 to 5 years (£'000)	5 or more years (£'000)	Total (£'000)
Operating lease obligations[1]	818	1,108	1,187	3,434	6,547
Total	**818**	**1,108**	**1,187**	**3,434**	**6,547**

(1) Operating lease payments represent future minimum lease payments under non-cancellable operating leases in respect of certain of the Capquest Group's office properties and IT equipment.

Off-Balance Sheet Arrangements

As of June 30, 2014, the Capquest Group had no off-balance sheet arrangements.

Quantitative and Qualitative Disclosure about Market Risks

The Capquest Group's market risk principally comprises interest rate risk and foreign currency risk.

Interest rate risk

The Capquest Group is exposed to interest rate risk on the purchased loan portfolio financing, related party loans and cash and cash equivalents. The recoverability of debt may be influenced by movements in the interest rate environment. As of March 31, 2014, the Capquest Group had interest rate swaps in place for a notional amount of £55.0 million (March 31, 2013: £55.0 million; March 31, 2012: £40.0 million).

Interest rate sensitivity analysis. If LIBOR rates had been 0.25% higher/lower and all other variables were held constant, the Capquest Group's profit and equity for FY 2014 would have decreased/ increased by £14,545. This would be attributable to the Capquest Group's exposure to interest on the Capquest Term and Revolving Credit Facilities, and includes the effects of the economic hedge from the interest rate swaps outstanding during the period.

Foreign currency risk

The Capquest Group's exposure to foreign exchange currency risk is not material and relates to certain euro-denominated contingency collections and invoices.

REGULATION AND COMPLIANCE

Regulatory Framework

United Kingdom

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, who 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, the European Commission has recently proposed that substantial changes be made to the EU data protection regime. 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 New 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 also extend 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 new 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.

Changes were made to FSMA and associated secondary legislation to bring certain consumer credit-related activities into the scope of FCA regulation, and to ensure that certain features of the FSMA regime were modified or disapplied to fit the credit sector. In particular, provision was made for a two-tier regime for consumer credit firms (the core regime for ''higher-risk'' consumer credit activities, and the limited permission regime for ''lower-risk'' activities) and for changes to accommodate the particular characteristics of the credit sector (for example, changes to the appointed representatives regime and amending the ''by way of business'' test to accommodate not-for-profit debt advice).

The UK Government has decided against introducing wholesale change on a single 'cutover' date. Rather, changes are being staged, in particular:

- From April 1, 2014, an ''interim permission'' regime under FSMA is in operation for a limited period, allowing consumer credit firms which held a valid CCA license from the OFT as of March 31, 2014 to carry on the regulated credit activities which were covered by their CCA license without seeking full FCA authorization immediately. Such firms will nevertheless have to apply for full FCA authorization in due course, on a timetable set by the FCA (with a longstop date of April 1, 2016). See ''—FCA Authorization.''
- Much of the repealed CCA legislation and former OFT guidance has been carried across into the FCA Handbook and can be found in the specialist sourcebook for consumer credit firms, CONC. The FCA's full powers to enforce the rules apply to all consumer credit firms from April 1, 2014, although certain rules were subject to a six-month safe harbor period. See ''—Conduct of Business Requirements.''

- 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.''
- The high level standards, including the Principles for Businesses and other binding regulatory standards, apply to all consumer credit firms, including those holding interim permissions, with effect from April 1, 2014. See ''—High Level Standards.''
- Certain other rules were not subject to the six-month transitional period, such that compliance with any corresponding OFT/CCA requirements was not sufficient. For example, new rules on risk warnings for online and other electronic financial promotions came into effect on April 1, 2014.
- Certain of the requirements under the new regime will not apply to a firm until it is fully authorized by the FCA. For example, requirements relating to approved persons and the FCA's controllers regime will only apply to a firm once it has obtained FCA authorization, and will not apply during the transitional period when the firm is covered by the interim permission regime. See ''—Approved Persons Regime'' and ''—Controllers Regime.''
- Similarly, periodic reporting and complaints reporting and publication rules will not apply during the interim permission regime. Once authorized, the firm will receive information explaining how and what to report and the frequency of reporting. The content and frequency of complaints reporting will depend on the scope of the firm's consumer credit activities.

As a result of the change in regime, 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 new 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) are able to adhere to the new regulation introduced by the FCA, both initially and on an ongoing basis. 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 Guernsey Limited, Arrow Global Receivables Management Limited, Arrow Global Management Limited, Arrow Global Egerton Limited, Arrow Global Massey Limited, Arrow Global Legh Limited and Arrow Global Accounts Management Limited are currently the only Group businesses with permission to conduct consumer credit-related regulated activities in the UK (the ***CC Companies***).

The CC Companies' interim permissions cover (among others) lending and debt collection activities, which allows them to continue to purchase and administer debt portfolios and to collect debts on behalf of other companies within the Group as well as on behalf of third parties through our asset management arrangements.

The CC Companies (along with other existing interim permission holders) will be required to obtain FCA authorization under the new framework. Although the legislation sets out transitional arrangements in order to allow an extended period for these firms to apply for full authorization and to ease the transition to the new regime more generally, the application process for obtaining FCA authorization will be more onerous than the previous consumer credit license application process and will require the applicants to prepare additional information and to review internal processes to ensure that they are able to meet 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.

An interim permission will remain in effect until the date specified by the FCA, by which a firm must have applied for full authorization. The FCA has allocated each firm which currently holds an interim permission a three-month window in which to apply for full authorization; these windows run from June 1, 2014, with the last window ending on March 31, 2016. If a firm applies for authorization before the end of its allocated window, its interim permissions will continue to be effective until the FCA determines the application. However, an interim permission could cease to be effective earlier than the set deadline if a firm cancels its permission or successfully obtains full authorization, or if the FCA takes regulatory action against a firm that involves varying, suspending or withdrawing authorization. The CC Companies currently each hold an interim permission and will be required to apply for full authorization between July 1, 2015 and September 30, 2015. We believe that preparations for full authorization of the CC Companies are on track.

As of October 23, 2014, 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. The provisions with which consumer credit firms must comply differ between when a firm holds interim permissions and when it is fully authorized.

From April 1, 2014, 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: Principles for Businesses (***PRIN***), General Provisions (***GEN***) and Senior Management Arrangements, Systems and Controls sourcebook (***SYSC***).

The Principles for Businesses 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, amongst 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 (in modified form) of the approved persons regime will mean that at least one individual in most consumer credit firms (including the CC Companies) 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.

As noted above, the approved persons regime does not apply during the interim permission regime.

Controllers Regime

Once a firm obtains full authorization, it will be subject to the full change of control regime under Part XII of FSMA. Any change of control will require pre-approval from the FCA. A failure to obtain such approval will amount to a criminal offence. For consumer credit firms falling within the 'core' authorization category which do not hold any other FSMA permissions (such as the CC Companies), a threshold of 20% will apply, with further notification requirements for increases which pass the 30% and 50% thresholds (and analogous reductions).

During the interim permissions regime, no pre-approval is required from the FCA for a change of control and such a change would not trigger the need for full authorization. However, the FCA's Principles for Businesses (including Principle 11, which requires notification of all material events to the FCA) apply to all consumer credit firms from April 1, 2014. It is therefore likely that any change of control during the interim permission period will have to be notified to the FCA by the firm once it becomes aware of the proposed change. Each CC Company will also need to submit information about its controllers in its application for full authorization.

Complaints Reporting and Publishing Requirements

From April 1, 2014, consumer credit firms that have not been FCA-authorized before that date 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.

As noted above, complaints reporting and publishing requirements will not apply to consumer credit firms during the interim permission regime.

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. Although the provisions of CONC came into effect on April 1, 2014, the FCA has stated that it will not enforce rule breaches by firms holding interim permissions before October 1, 2014, provided that firms can show that they acted in line with previous OFT guidance or repealed CCA legislation, to the extent that it is substantially similar in purpose and effect to the provisions in CONC. Certain new rules in CONC did not benefit from this transitional period (for example, new rules on risk warnings for online and other electronic financial promotions).

Of key importance to us is Chapter 7 of 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 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 is 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 set out its key concerns relating to the consumer credit market in its latest Risk Outlook publication, and has outlined its proposed key activities over the coming year in its Business Plan for 2014/15 (both of which were published on March 31, 2014). The FCA is particularly concerned about consumers taking on unaffordable amounts of debt, and its stated priorities are to tackle risks in the ''pay-day lending'' sector, address issues with credit cards (including carrying out a proposed market study to assess competition in the credit card market and whether consumers have access to products which are affordable and offer good value for money), improve financial promotions across the consumer credit market, improve the quality of debt management services and enhance standards for logbook loans. 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.

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 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 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 that has been made or may be made to borrowers 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 draft the Consumer Rights Bill (the ***Bill***) was formally introduced to the House of Commons earlier this year to begin its Parliamentary passage. The adoption of the Bill would result in an entire reform and consolidation of much of the existing consumer law in the UK, including the revocation of the UTCCRs. The Bill will merge the consumer protection rules under the UTCCRs and the Unfair Contract Terms Act 1977. This will have the effect of extending the fairness test to consumer notices as well as agreements. The UTCCR provisions will largely be retained, although with some modifications. Ultimately, the terms of a consumer contract will still be subject to a fairness review by the courts and any terms deemed unfair will be unenforceable. The Bill is currently making its passage through Parliament and is expected to come into force in 2015.

Retained CCA Provisions

As explained above, 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 agreements). 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. At the moment there are no proposals to extend FSCS cover to consumer credit activities. The FCA is expected to review this in 2016, when all consumer credit firms should be fully authorized. In particular, the FCA will consider whether there should be FSCS cover for the debt management sector, 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.

At least initially, few firms will have routine supervisory engagement with the FCA. For firms with interim permission and during the interim permission period more generally, the FCA's supervision is expected to involve a combination of reactive work and targeted work in greater areas of risk, focusing on how firms treat their customers. Such work includes visiting the largest firms within certain sub-sectors, responding to issues in individual firms and carrying out thematic work to look in depth at issues that run across several firms. The FCA will take action to address any issues that it finds, where necessary.

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 2011, we completed a voluntary ICO best practice data compliance audit in relation to our records management and requests for personal data. The audit concluded that our arrangements for data protection compliance provided a reasonable level of assurance that processes and procedures are in place and are being adhered to. The audit identified five recommendations for improvement. In 2012, the ICO conducted a follow-up audit which concluded that, following the implementation of the 2011 recommendations, our arrangements for data protection compliance provide a high level of assurance that the processes and procedures in place are being adhered to; the ICO has not conducted any subsequent audits.

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 office of the Guernsey Data Protection Commissioner is responsible for ensuring that data controller's process personal data in accordance with the law and that individuals are able to exercise their rights under the law. Data controllers are required to notify the Guernsey Data Protection Commission 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.

Debt Management Plan Protocol

The Debt Management Plan Protocol (***DMPP***) was implemented on October 1, 2013 and accreditation under the DMPP has already been achieved by various providers. The DMPP is a voluntary code of compliance for money advisers that administer customer payment plans, and sets out expectations and rights for other stakeholders, including creditors. The DMPP aims to protect and promote the needs and best interests of consumers who take out debt management plans, and may be adapted into the codes of conduct of relevant trade associations, which may result in it becoming more mandatory than voluntary in practice. The DMPP is governed by a standing committee, chaired by the Insolvency Service, with regulatory and creditor stakeholder representatives.

The DMPP may lead to improvements in creditors' rights, including our rights in respect of creditor audit rights, abolition of upfront adviser fees, better data sharing, and creditor distributions commencing in month one of the debt management plan, among other things. Under the DMPP, debt management plan providers are also expected to share with creditors all data of which they are aware (in accordance with applicable laws) that is required to identify and evidence the debt management plan.

The FCA has incorporated some aspects of the DMPP into its Handbook. The relevant rules and guidance are intended to apply specifically only to debt counseling and debt adjusting. The Lending Code also includes new provisions on compliance with the DMPP.

Lending Standards Board's Lending Code

The Lending Code is a voluntary, but widely adhered to, code of practice relevant to lending and debt purchase and debt collection activities that was developed by the LSB and is applicable to UK banks and lenders who subscribe to the code. The Lending Code is 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 oversee. The majority of UK Debt Sellers are Lending Code subscribers and therefore look to ensure that their third party service providers and debt purchasers also comply with the requirements of the Lending Code and/or certain standards set out in the Lending Code in relation to specific credit business activities (as the case may be). The LSB recently took the decision to widen the scope of the Lending Code regime to allow for debt collection and debt purchase companies to become associate subscribers in their own right.

None of the CC Companies currently subscribes to the Lending Code, although now that debt collection and debt purchase companies are able to subscribe, we have applied to become associate subscribers and expect an on-site review by the LSB in December 2014, with an outcome determination to follow in the first quarter of 2015. Regardless of our subscriber status now or in future, we may be contractually required to comply with the relevant provisions of the Lending Code by Debt Sellers, and therefore, in general, we choose to operate in accordance with the applicable provisions of the Lending Code. We believe that our approach in this respect is a good business strategy and promotes best practice compliance. Our adherence enables us to do business with a greater number of Lending Code subscribers who, since recent amendments to the Lending Code, are required to ensure that third parties they use offer standards that meet the requirements of the Lending Code. Our policies are reviewed and updated against the requirements of 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 have 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 has carried out some further reviews, targeting a broader range of subscribers who have DCAs acting on their behalf (and certain debt purchasers and DCAs who are not themselves subscribers to the Lending Code but who purchase debt from subscribers).

The LSB has now completed this follow up work and issued a report (dated September 2013) summarizing its key findings. The report is consistent with our expectations regarding the progression of the compliance regime. It notes that, overall, standards of compliance have improved and that, in cases where the LSB has identified breaches, action plans have been put in place and will be monitored for completion (including follow up visits by the LSB). The LSB has 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 anticipates undertaking a further themed review in this area towards the end of 2014.

More recently, 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.

As this area is receiving a reasonable deal of attention from the industry, consumer groups and regulators, it is to be expected that there will be further developments regarding vulnerable customers and that the FCA will take great interest in the way in which firms handle customers in financial difficulties. Further, according to LSB Bulletin No. 8 (published on December 17, 2013), the LSB is likely to conduct a specific themed review into the degree to which subscribers have 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, either this year or in 2015.

Recent changes to the Lending Code as a result of the work undertaken by the LSB to date introduce additional and/or more onerous requirements on subscribers and, indirectly, on Debt Purchasers and DCAs. Given the regulatory focus on ensuring fair treatment of customers throughout the credit cycle and the LSB's planned work, it is also possible that further regulatory or voluntary industry guidance or rules may be introduced to enhance the conduct standards in this area. This would be likely to result in an additional compliance burden for industry participants and may therefore 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 a number of operating companies which are subject to the regulatory framework as set out above. Additionally, one of these operating companies holds regulatory permissions allowing it to service regulated mortgages and so is already authorized by the FCA. 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.

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 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 & Control Self-Assessment (***RCSA***) 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 Operational Risk Committee, quarterly Executive Risk Committee and quarterly Board Risk Committee. In addition, all risk and compliance-related matters are reported to the monthly 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 Arrow Global 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. 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 12 months ended June 30, 2014, we were subject to seven audits and four due diligence reviews from Debt Sellers to determine our compliance under our contractual obligations, among other things); and (ii) audits by external bodies and, as part of a themed review on behalf of a subscriber, by the LSB.

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. Both the FCA and the ICO 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 also are 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 12 months ended June 30, 2014, we were subject to seven audits and four 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 Operational Risk 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 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.

Proprietary Collection Bureau (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 June 30, 2014, the PCB contained approximately 17.5 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 & 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 our 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. We have not received any indication from the FCA of dissatisfaction with the manner in which we conduct our business.

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 six months ended June 30, 2014, an average of nine FOS filed complaints were received by us and our DCAs per million owned accounts. We believe this compares favorably with our competitors. Furthermore, during H1 2014, 29 complaint decisions were received from FOS, and of these, only nine were not upheld in our favor. Between January 1, 2014 and September 30, 2014, only two 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 portfolios

Our Portuguese 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. 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 is required to warrant and, where appropriate, provide proof of its compliance with all relevant Portuguese legislation. Since we appointed BDO as our Internal Audit function they have started to provide oversight of the Portuguese operations.

MANAGEMENT

Currently, the Board of Directors of AGGHL consists of Mark Helyar, Robert Memmott and Bedell Corporate Services (Guernsey) Limited. AGGHL has no executive officers. For more information on the Board of Directors of AGGHL, see ''—AGGHL Board'' below.

The following describes the Board of Directors and senior management of AGG, the 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.

AGG

Board of Directors

The Board is fully committed to high standards of corporate governance and corporate responsibility throughout the Arrow Global 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 of the provisions of the UK Corporate Governance Code.

The roles of the Non-Executive Chairman and Chief Executive Officer are distinct and separate, with a clear division of responsibilities approved by the Board. The Board has established Nomination, Remuneration and Audit and Risk 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 three 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	60	Non-executive Chairman
Tom Drury	53	Chief Executive Officer
Robert Memmott	41	Chief Financial Officer
Zachary Lewy	40	Founder and Executive Director
Sir George Mathewson	73	Non-executive Director and Senior Independent Director
Iain Cornish	53	Non-executive Director
Gillian Key-Vice	61	Non-executive Director
Robin Phipps	63	Non-executive Director

The executive office of the board of directors of AGG is located at Belvedere, 12 Booth Street, Manchester M2 4AW, United Kingdom.

Jonathan Bloomer, 60, currently serves as our Non-Executive Chairman. 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 currently the non-executive chairman of Jardine Lloyd Thompson PLC's employee benefits board 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. 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.

Tom Drury, 53, currently serves as our Chief Executive Officer. Mr. Drury, who has over 17 years' executive leadership experience, joined Arrow Global in 2011 from Shanks Group PLC, then a FTSE 250 company, where he served as group chief executive from 2007 to 2011. Prior to joining Shanks, he served for 11 years as managing director of Vertex Data Science Limited, the business process outsourcing division of United Utilities (a FTSE 100 company) in the UK. Mr. Drury also served on the board of United Utilities from 2005 to 2007. Mr. Drury began his career as a management trainee at Unilever, before joining PricewaterhouseCoopers as a management consultant, specializing in financial management and business planning. Mr. Drury received his degree in philosophy, politics and economics from Oxford University.

Robert Memmott, 41, currently serves as our Chief Financial Officer. Mr. Memmott has been a corporate CFO for 12 years, and has over 17 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, 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 is qualified as a chartered accountant with KPMG LLP in Manchester.

Zachary Lewy, 40, is our founder and currently serves as our Executive Director leading origination, corporate development and external relations. He has 15 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 (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 was 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, of which he is a director.

Sir George Mathewson, 73, currently serves as our Senior Independent Director. Prior to this, he served as the chief executive officer at the Scottish Development Agency from 1981 to 1987 and worked at 3i Group plc (formerly the ICFC) from 1972 to 1981. Prior to 1972, he spent five years in the United States as a Professional Engineer at Bell Aerospace Services, Inc. He joined The Royal Bank of Scotland Group plc in 1987 as a director of strategic planning and development. In January 1992, he was appointed as the group chief executive officer and following the acquisition of NatWest he was appointed as an executive deputy chairman in 2000 and chairman in 2001. In 1995, he served as the President of the International Monetary Conference. In 1999, he was knighted in the New Year honors list for services to economic development and banking. He completed degrees in mathematics and applied physics at St. Andrews University in 1961. Sir George holds other positions within the UK and Canada. He is chairman of Tosca Asset Management and chairman of Shawbrook Holdings Limited. He is also a board member of DBRS Limited.

Iain Cornish, 53, currently serves as a Non-Executive Director. Mr. Cornish spent 19 years, (between 1992 and 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 director of the Prudential Regulatory Authority and of St James's Place PLC. He was previously a non-executive director of Vanquis Bank, chairman of the Practitioner Panel of the FSA, chairman of the Building Societies Association and executive committee member of the Council of Mortgage Lenders. He holds a degree in Business, Economics and Statistics from Southampton University.

Gillian Key-Vice, 61, currently serves as a Non-Executive Director. She held a number of positions at Experian between 2001 and 2013, including, most recently, as the head of regulatory developments for EMEA, and was also vice president of the Association of Consumer Credit Information Suppliers, the European trade body for credit reference agencies. Before joining Experian, she was a senior manager of group credit risk at The Royal Bank of Scotland (2000 to 2001) and, prior to that, held a number of positions at NatWest, including as group head of credit scoring and senior manager of credit scoring systems. Mrs. Key-Vice is currently a director of GKV Limited, a company that provides consultancy to the financial services and credit reporting industry.

Robin Phipps, 63, currently serves as a Non-Executive Director. Mr. Phipps spent 25 years at Legal & General plc between 1982 and 2007. He was group executive director at Legal & General, responsible for the UK business, and held a wide range of senior positions, including group director of sales and marketing, group director of retail, managing director of customer services and director of information technology. He is currently a non-executive director of Resolution Limited, Friends Life Group PLC and IFG Group plc.

Senior Management

The Chief Executive Officer has overall responsibility for the Arrow Global Group'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
Helen Ashton	42	
Georgina Hayes	41	Chief Operating Officer
Steven Greenwood	46	Chief Risk Officer

Helen Ashton, 42, will join us upon the completion of the Capquest Acquisition. She currently serves as the chief executive officer of the Capquest Group. Ms. Ashton joined the Capquest Group in May 2012 as chief financial officer. Prior to joining the Capquest Group, she held several senior banking positions, including as finance director of Community Banks within Lloyds Banking Group (2010 to 2012) and as managing director of Barclaycard International within Barclays (2005 to 2009). Ms. Ashton also served as head of retail finance for ASDA from 2003 to 2005. She holds a Bachelor of Science degree from the University of Manchester.

Georgina Hayes, 41, currently serves as our Chief Operating Officer. Ms. Hayes has 13 years of experience in the delivery of operational business systems with specific expertise in the area of risk and mapping statute and regulatory guidance onto business processes. Prior to joining Arrow Global, she worked at LexisNexis, one of the leading providers of legal and regulatory content and systems solutions in the UK, where she ran a professional services team in the practice and productivity management division. Her primary focus was the delivery of business change incorporating new IT systems to legal firms in the debt recovery arena and regulatory public bodies. Ms. Hayes holds an honors degree in Physics and a PhD in optical electronics from the University of Manchester.

Steven Greenwood, 46, currently serves as our Chief Risk Officer. 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.

Board Committees

As envisaged by the UK Corporate Governance Code, the Board has established Audit and Risk, Remuneration, Nomination and Disclosure Committees.

Audit and Risk Committee

The Audit and Risk Committee has responsibility for, among other things, the monitoring of the financial integrity of the financial statements of the Arrow Global Group and the involvement of the Arrow Global 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 and Risk Committee is also responsible for advising the Board on overall risk appetite and strategy. The Audit and Risk 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 and Risk Committee will normally meet at least four 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 and Risk 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 and Risk 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 and Risk Committee comprises three members who are independent Non-Executive Directors: Iain Cornish, Gillian Key-Vice and Sir George Mathewson. The committee is chaired by Iain Cornish, who has recent and relevant financial experience.

Remuneration Committee

The Remuneration Committee has responsibility for determination of specific remuneration packages for each of the Chairman, the Executive Directors and certain senior executives of the 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 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 two members who are independent Non-Executive Directors: Robin Phipps (chairman) and Sir George Mathewson, 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. Furthermore, the Nomination Committee is required to ensure that the evaluation of the Board is externally facilitated at least every three years.

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 one member who is an independent Non-Executive Director: Iain Cornish; 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, who chairs the committee, and one Executive Director, Robert Memmott, the Chief Financial Officer. 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 Arrow Global 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, the Arrow Global Group also operates a number of other operational committees, as more fully described below.

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.

Operational Risk Committee

The Operational Risk Committee is chaired by the 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 CEO and comprises the CFO, CRO, COO and other senior managers when appropriate. It monitors Core Collections, updated 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 ERC forecasts and makes recommendations to the Audit and Risk Committee for any adjustments to asset carrying values.

Compensation

The Arrow Global Group's three Executive Directors were paid total compensation of £3.7 million for the year ended December 31, 2013. The following table sets forth a breakdown of their total compensation.

	Salary and fees[(1)] (£'000)	Taxable benefits[(2)] (£'000)	Performance-related bonus[(3)] (£'000)	Vesting remuneration[(4)] (£'000)	Pension-related benefits[(5)] (£'000)	Total (£'000)
Tom Drury	315	2	409	—	—	727
Robert Memmott	209	1	320	1,876	11	2,417
Zachary Lewy	245	3	284	—	20	552
	770	**6**	**1,013**	**1,876**	**3**	**3,695**

(1) Mr. Drury receives a monthly cash allowance in lieu of participation in a pension arrangement, included as salary.

(2) Private medical and dental cover.

(3) The bonus in respect of 2013 was paid in cash in March 2014 and was based on a broad assessment of the executive directors' performance by the Remuneration Committee. The maximum bonus percentages were capped at 125% of salary with actual bonuses paid being 100% of salary in respect of each of the executive directors. The bonus in respect of 2013 was based on a broad assessment of executive director performance by the Remuneration Committee, when we were not listed for the majority of the period. The figures in the table represent the proportion of bonus relating to the time period mentioned above the table. The bonus in respect of 2014 will be based on a new scheme.

(4) On IPO, Initial Share Option Plan (***ISOP***) options were granted to and exercised by Mr. Memmott over 1,676,562 ordinary shares in AGG. 915,266 vested and were sold immediately to cover his tax liability and national insurance contributions arising upon exercise. The balance of 761,296 shares are restricted shares for a period of two years following the IPO, conditional on continued employment.

(5) Mr. Memmott and Mr. Lewy receive a monthly contribution from the Arrow Global Group into a self-invested pension plan.

The Non-Executive Directors are paid a standard fee of £45,000 per annum, with further fees of £7,500 per annum being paid for additional responsibilities such as committee chair and Senior Independent Directorship. The Non-Executive Chairman's fee is £160,000 per annum. These fees were paid pro rata for 2013 following the IPO, and totaled £88,000 (Jonathan Bloomer: £40,000; Sir George Mathewson, Iain Cornish and Robin Phipps: £13,000; and Gillian Key-Vice: £9,000).

There were no payments to past directors or payments for loss of office during 2013.

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 Executive Directors are expected to retain legal share ownership equivalent to at least 100% of salary (150% for the Chief Executive Officer). Those guidelines were exceeded at December 31, 2013.

As of October 23, 2014, the following Directors and members of senior management had beneficial ownership interests in the shares of AGG.

	Number of shares	Percentage of total issued shares
Tom Drury	8,775,144	5.03%
Robert Memmott	2,898,360	1.66%
Zachary Lewy	7,450,353	4.27%
Jonathan Bloomer	24,391	0.01%
Sir George Mathewson	2,544,633	1.46%
Iain Cornish	—	—
Gillian Key-Vice	6,357	0.00%
Robin Phipps	24,391	0.01%
Georgina Hayes	628,428	0.36%
Steven Greenwood	723	0.00%

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
Bedell Corporate Services (Guernsey) Limited	N/A	Director
Mark Helyar	46	Director
Robert Memmott	41	Director

Bedell Corporate Services (Guernsey) Limited is an independent, regulated provider of fiduciary services to institutions, corporates, high net worth individuals and intermediaries based in Guernsey and a subsidiary of Bedell Trust Jersey Limited. Bedell Trust has operations in a number of financial centers, including Jersey, Guernsey, London, Dublin, Geneva, Mauritius, BVI and Singapore and is an award winning, independent fiduciary company.

Mark Helyar, 46, currently serves as a director of the board of AGGHL. He is an advocate at the Royal Court of Guernsey and Notary Public and the Managing Partner of Bedell Cristin Guernsey Partnership, an equity partner of Bedell Group and a managing director of Bedell Trust Guernsey Limited. He is currently a non-executive director of a number of regulated and unregulated fiduciary, insurance and investment companies and funds in Guernsey, Jersey and Mauritius. He is a former Batonnier (president) of the Guernsey Bar Council and a former voting non-states member on the Guernsey Public Accounts Committee. He holds a BSc (Hons.) in environmental sciences from the University of East Anglia, Norwich, a post graduate law diploma from Nottingham Trent University, and the degree of utter Barrister and Certificat from the University of Caen. He was called to the English Bar at Gray's Inn in 2000 and to the Bar in Guernsey in 2001.

Robert Memmott. See ''AGG—Board of Directors.''

Issuer Board

The executive office of the board of directors of the Issuer is located at Belvedere, 12 Booth Street, Manchester M2 4AW.

The board of directors of the Issuer is as follows:

Name	Age	Position
Robert Memmott	41	Director
Tom Drury	53	Director
Zachary Lewy	40	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 the Arrow Global Group 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 174,439,026 ordinary shares. The total number of voting rights is 174,439,026.

As of October 30, 2014, in so far as it is known to AGG, the name of each person, other than a Director, who holds voting rights (within the meaning of Chapter 5 of the Disclosure and Transparency Rules) representing 3% or more of the total voting rights in respect of the ordinary shares of AGG is as follows:

Name	Number of voting rights	Percentage of voting rights
Schroder Investment Management(1)	19,986,741	11.46
Old Mutual Global Investors(1)	12,174,874	6.98
Jupiter Asset Management	11,807,311	6.77
Legal & General Investment Management	11,597,303	6.65
SEB Asset Management	9,439,006	5.41
BlackRock(1)	8,334,613	4.78

(1) Including contract for differences position.

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, 2011, 2012 and 2013, and the six months ended June 30, 2014.

Related Party Transactions prior to the IPO

Shareholders' Agreement

AGGHL, certain members of its management, our founder and executive director, RBS Asset Management Limited, Arrow Global Employee Benefit Trust and RBS Investments 1 Limited, acting as nominee for certain entities of the RBS Special Opportunities Fund, entered into an amended and restated Shareholders' Agreement on October 25, 2011 (the ***Shareholders' Agreement***). The Shareholders' Agreement, among other things, contained provisions related to the governance of AGGHL, including provisions related to board composition and management of the business of the Group, among others. The Shareholders' Agreement also contained information requirements, exit and proceeds sharing requirements, as well as fee arrangements. The Shareholders' Agreement was terminated in connection with the IPO.

Pre-IPO Shareholder Loans

Prior to entering into the Old Revolving Credit Facility, we were funded solely by shareholder loans provided by RB Investments 1 Limited (the ***Pre-IPO Shareholder Loans***) (in the form of loan notes), in addition to cash generated by its business. The Pre-IPO Shareholder Loans were for £41,625,000 and £25,000,000, and the loan notes were issued by AGGHL in 2009 and 2011, respectively, to RB Investments 1 Limited. The Pre-IPO Shareholder Loans accrued interest at a rate of 15% per annum. In January 2013, we repaid a portion of the Pre-IPO Shareholder Loans with a portion of the net proceeds of the offering of the 2020 Notes, and the remaining Pre-IPO Shareholder Loans were converted into ordinary shares of AGGHL.

Interest expense on the Pre-IPO Shareholder Loans amounted to £11.0 million for 2011, £14.9 million for 2012, £1.3 million in 2013 and nil in the six months ended June 30, 2014.

Non-controlling Interest Loans

Loans were extended to us by certain of our minority shareholders prior to the IPO, including entities affiliated with Zachary Lewy, our Founder and Executive Director (the ***Non-Controlling Interest Loans***). The Non-Controlling Interest Loans consisted of loan notes for £2,067,000 issued by AGGHL to the non-controlling shareholders, which incurred interest at a rate of 15%. In January 2013, we redeemed all of the loan notes with a portion of the net proceeds of the offering of the 2020 Notes.

Interest expense on the Non-Controlling Interest Loans amounted to £156,000 for 2011, £349,000 for 2012, £30,000 in 2013 and nil in the six months ended June 30, 2014.

Interim Loan

Due to an uncertainty relating to the scheduling of portfolio purchases, we acquired funding on October 29, 2012 from RBS Asset Management Limited through a loan agreement with a principal aggregate amount of £11,000,000 at a rate of 18% per annum. We repaid the loan in full on November 2, 2012 with proceeds from the Old Revolving Credit Facility.

Transaction with Shawbrook Bank Limited

On September 6, 2013, Shawbrook Bank Limited (which is an investment of RBS Special Opportunities Fund) committed £10 million as lender under the Arrow Global Revolving Credit Facility. We paid Shawbrook Bank Limited customary fees in connection with this commitment (on the same basis as the other lenders under the Arrow Global Revolving Credit Facility).

Related Party Transactions post-IPO

Following the IPO, for purposes of this Offering Memorandum, we treat transactions outside our Group with other members of the Arrow Global Group as related party transactions, and for purposes of the

2020 Indenture treat (and in respect of the Indenture intend to treat) such transactions as transactions with affiliates.

On August 27, 2014, the 2013 Shareholder Loan was converted into a subordinated loan to AGGHL qualifying as Subordinated Shareholder Funding (under the 2020 Indenture, which has the same meaning in the Indenture).

Other Arrangements

From time to time we purchase portfolios from banks that may include one of our directors as a board member. See note 10 of our unaudited condensed consolidated financial statements as of June 30, 2014 and for the six months ended June 30, 2013 and 2014 and note 21 of our audited consolidated financial statements as of and for the year ended December 31, 2013.

DESCRIPTION OF OTHER INDEBTEDNESS

The following contains a summary of the terms of the 2020 Notes, the Arrow Global Revolving Credit Facility and the Intercreditor Agreement. Terms not otherwise defined in this section shall, unless the context otherwise requires, have the same meanings set out in the Arrow Global Revolving Credit Facility or the Intercreditor Agreement, as applicable. For a description of the financing arrangements of the Capquest Group, see ''Business of the Capquest Group—Financial Profile and Performance.''

2020 Notes

Overview

On January 29, 2013, the Issuer issued £220 million aggregate principal amount of 7.875% senior secured notes due 2020 (the ***2020 Notes***). The 2020 Notes were issued pursuant to an indenture dated January 29, 2013 (the ***2020 Indenture***). The 2020 Notes are currently guaranteed on a senior secured basis by the Original Guarantors. No later than 30 days following the Capquest Acquisition Completion Date, the Additional Guarantors will accede to the 2020 Indenture, and will guarantee the 2020 Notes.

The 2020 Notes and the guarantees thereof are secured by first priority liens on the Original Collateral. Subject to certain agreed security principles set out in the Arrow Global Revolving Credit Facility, no later than 30 days after the Capquest Acquisition Completion Date, the 2020 Notes are required to be further secured by security interests in the Additional Collateral.

Interest

The 2020 Notes accrue interest at a rate of 7.875% per annum and mature on March 1, 2020. Interest on the 2020 Notes is payable in arrears on March 1 and September 1 of each year.

Prepayments and redemptions

We may redeem some or all of the 2020 Notes on or after March 1, 2016 at the redemption prices specified in the 2020 Indenture, plus accrued and unpaid interest and additional tax amounts to the redemption date. Prior to March 1, 2016, we may redeem, at our option, some or all of the 2020 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 March 1, 2016, we may redeem up to 35% of the aggregate principal amount of the 2020 Notes using the net cash proceeds from certain equity offerings at a price equal to 107.875% of the principal amount thereof, if at least 65% of the originally issued aggregate principal amount of the 2020 Notes remains outstanding. Additionally, we may redeem all, but not less than all, of the 2020 Notes in the event of certain developments affecting taxation. Upon the occurrence of certain events constituting a Change of Control Triggering Event (as defined in the 2020 Indenture), we may be required to make an offer to repurchase all the 2020 Notes at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any.

Ranking

The 2020 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 2020 Notes, including the 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 2020 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 2020 Notes;
- are effectively subordinated to all the Issuer's existing and future secured indebtedness of the Issuer that is secured by property or assets that do not secure the 2020 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 2020 Notes, if any.

Covenants and events of default

The 2020 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 2020 Indenture imposes certain requirements as to future subsidiary guarantors and contains certain customary events of default. Further, the 2020 Notes are subject to the provisions of the Intercreditor Agreement.

Arrow Global Revolving Credit Facility

The Arrow Global Revolving Credit Facility, made available under the credit agreement entered into on January 29, 2013, as amended on April 11, 2013, September 6, 2013, June 30, 2014 and September 16, 2014, and as may be further amended from time to time, among the Issuer, the Guarantors and the Security Agent, provides for £82.5 million of committed financing (the ***Total Commitments***) (increasing to £100.0 million upon the completion of the Capquest Acquisition), which is available for utilization (subject to certain conditions precedent) by way of the drawing of cash revolving loans, and by way of ancillary facilities from January 29, 2013 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 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 January 29, 2013, or for capital expenditure in excess of £250,000 per year.

As of June 30, 2014, £26.9 million was drawn under the Arrow Global Revolving Credit Facility. We expect to use a portion of the net proceeds of the Offering, together with cash on hand, to repay £19.2 million of the amounts drawn under the Arrow Global Revolving Credit Facility.

The original borrower under the Arrow Global Revolving Credit Facility is Arrow Global Limited. The Arrow Global Revolving Credit Facility is currently guaranteed by the Original Guarantors and the Issuer. No later than 30 days following the Capquest Acquisition Completion Date, the Additional Guarantors are required to accede to the Arrow Global Revolving Credit Facility, and guarantee the Arrow Global Revolving Credit Facility.

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 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.

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 January 29, 2019 (the ***Termination Date***) and any amounts still outstanding at such date must be repaid on that date.

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 Change of Control Triggering Event (as defined under the 2020 Indenture); 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 3.50% per annum. This figure is subject to a margin ratchet based on the LTV Ratio at each quarter end being less than 0.40. In the event that the LTV ratio is equal to or more than 0.40 at each quarter end, the margin will increase to 3.75% per annum.

LTV Ratio means, in respect of any date of calculation, the aggregate indebtedness of the Group less cash and cash equivalent investments held by the 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 Group from all portfolio accounts owned by members of the Group during the period of 84 months, i.e., 84-Month Gross ERC, as calculated by the Portfolio ERC Model, as of the last day of the month most recently ended prior to the date of calculation).

We are also required to pay a commitment fee, in arrears 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 40% of the applicable 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, the Security Agent and the mandated lead arrangers 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 the Parent and Arrow Global Investments Holdings Limited, the Issuer, Arrow Global (Holdings) Limited, Arrow Global Guernsey Limited, Arrow Global Receivables Management Limited, Arrow Global Limited, and Arrow Global Accounts Management Limited (being the Parents' subsidiaries that guarantee the Notes).

The Arrow Global Revolving Credit Facility also provides that (subject to certain customary limitations and the agreed security principles):

- on the issue date of the 2020 Notes and at all times after the issue date of the 2020 Notes, 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 Group's revenue, gross assets (excluding goodwill) and Consolidated EBITDA (as defined in the Arrow Global Revolving Credit Facility);
- any member of the Group that becomes a guarantor under 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 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 Group) representing 5% or more of Consolidated EBITDA of the 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 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.

No later than 30 days following the Capquest Acquisition Completion Date, the Additional Guarantors will accede to the Arrow Global Revolving Credit Facility, and will guarantee the Arrow Global Revolving Credit Facility.

The Arrow Global Revolving Credit Facility benefits from the same original security as the Notes and the 2020 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 2020 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 are monitored by two financial covenants, which require us to ensure that:

- the LTV Ratio, does not exceed 0.75:1; and
- the SSLTV Ratio does not exceed 0.25:1,

where SSLTV Ratio means, in respect of any date of calculation, the aggregate amount of all obligations of members of the Group under the Arrow Global Revolving Credit Facility and any Hedging Agreement at that time, less cash and cash equivalent investments held by the 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.

The Note Purchase Condition

The Arrow Global Revolving Credit Facility allows members of the Group to repay, purchase, defease or redeem (or otherwise retire for value) or acquire any of the Notes, refinancing debt permitted under the Arrow Global Revolving Credit Facility (***Replacement Debt***) and debt with a maturity of more than one year (including the 2020 Notes) (***Term Debt***), subject to:

- the aggregate principal amount of all Notes, Replacement Debt and Term Debt prepaid, purchased, defeased, redeemed (or otherwise retired for value) or acquired since the Issue Date not exceeding 35% of the aggregate principal amount of the Notes issued on the Issue Date (***Original Debt***);
- 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 (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).

To the extent that members of the Group make prepayments, purchases, defeasances, redemptions (or other retirements for value) or acquisitions that in 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 Group make prepayments, purchases, defeasances, redemptions (or other retirements for value) or acquisitions that in 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 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;
- in the case of a business acquisition, to the extent that the aggregate consideration for other acquisitions made since the most recent quarter date exceeds 30% of the budgeted amounts for acquisitions for the relevant year, compliance with financial covenants (on a *pro forma* basis as if the acquisition had been made on the first day of the relevant testing period);

- aggregate amount of Gross ERC attributed to all non-UK portfolio accounts does not exceed 20% of Gross ERC (on a *pro forma* basis taking into account the relevant acquisition) including a maximum 5% which can be Non-Portugal, Non-UK related debt;
- aggregate amount of Gross ERC attributed to all non-consumer portfolio accounts does not exceed 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 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 Group in the debt purchase and debt collection industry and the acquired company/business (if a Material Company) 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 Group for the next full three financial years; and
- in the case of a portfolio accounts acquisition, the consideration does not exceed: at any time until and including the third anniversary of the Issue Date, 7.5% of Gross ERC (on a *pro forma* basis taking into account the relevant acquisition); and thereafter, 5% 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 2020 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 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 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 (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 Group; (v) certain intragroup creditors and debtors; (vi) various creditor representatives; and (vii) The Royal Bank of Scotland plc as the Security Agent.

Upon execution of the Intercreditor Accession Undertaking, 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 incur any liability or provides any guarantee under the Arrow Global Revolving Credit Facility or the Indenture or the *Pari Passu* Debt documentation 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 Indenture, and the 2020 Indenture, which may rank *pari passu* to the Notes and the 2020 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 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 Notes and the 2020 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 Notes, the holders of the 2020 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 2020 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 arrangements, the Indenture, the 2020 Indenture and any *Pari Passu* Debt documentation (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 Indenture, the 2020 Indenture and the *Pari Passu* Debt documentation, 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 Notes Liabilities 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 Indenture, the 2020 Indenture or the *Pari Passu* Debt documentation.

Limitations on Enforcement

For the purposes of enforcement of the Collateral, the Lenders and their creditor representatives and the Hedge Counterparties are referred to as the ***Super Senior Creditors***.

If any of the Super Senior Creditors, the holders of the Notes, the holders of the 2020 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) 50% by outstanding principal amount (including capitalized interest, if applicable) of the holders of the Notes, the holders of the 2020 Notes and *Pari Passu* 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.

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.

During the 30-day consultation period, none of the Super Senior Creditors, the holders of the Notes, the holders of the 2020 Notes or the *Pari Passu* 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 2020 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 Notes, holder of 2020 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 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 consists of (i) 66⅔% by credit participation value of the Super Senior Creditors (the ***Majority Super Senior Creditors***) and (ii) 50% by outstanding principal amount (including capitalized interest, if applicable) of the holders of the Notes, the holders of the 2020 Notes and *Pari Passu* Creditors (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 is as 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 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 (the ***Financial Advisor Opinion***); 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 Notes, any holders of the 2020 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 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 hedging liabilities on a pro rata basis;
- fourth, *pari passu* and pro rata in or towards payment or distribution to the Trustee on behalf of the holders of the Notes, the holders of the 2020 Notes and to the creditor representatives of the *Pari Passu* Creditors, for application towards any unpaid costs and expenses incurred by or on behalf of any holders of the Notes, any holders of the 2020 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 the Trustee on behalf of the holders of the Notes or the holders of the 2020 Notes for application towards the discharge of the Senior Note Liabilities, if any, and to 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 Notes, the holders of the 2020 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'' and 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 Indenture, the 2020 Indenture any *Pari Passu* Debt documentation 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 Indenture, the 2020 Indenture, or any *Pari Passu* Debt documentation, 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 2020 Indenture, the Indenture or *Pari Passu* documentation, 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 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.''

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 Notes and the 2020 Notes (as set out in the Indenture and the 2020 Indenture) or the written consent of the Trustee (acting in accordance with the terms of the Indenture and the 2020 Indenture), the required percentage of *Pari Passu* Creditors (as set out in the relevant *Pari Passu* Debt documentation) 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 documentation), 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 Indenture and the 2020 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 documentation), 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 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 (***Additional Indebtedness***) that is permitted to share in the Collateral pursuant to the Arrow Global Revolving Credit Facility, Indenture, 2020 Indenture and other *Pari Passu* Debt documentation, 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.

In connection with our entry into the Cuurency Hedging Arrangements (described below), we intend to amend the Intercreditor Agreement such that currency hedging arrangements constitute *Pari Passu* Debt for purposes of the Intercrediot 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 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 *Pari Passu* Debt under the Intercreditor Agreement).

DESCRIPTION OF THE NOTES

The Issuer will issue and the Guarantors will guarantee €225.0 million aggregate principal amount of senior secured floating rate notes due 2021 (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 offering of the 2020 Notes (as defined herein), and which has no operations and no assets other than its rights under the on-loan of proceeds to one or more Restricted Subsidiaries (the ''*Intercompany Borrowers*'') pursuant to the Proceeds Loan Agreement (as defined herein), as well as on-loans of the proceeds from the offering of the 2020 Notes. The Issuer will use payments under the Proceeds Loan (as defined herein) to service the Notes.

In this Description of the Notes: (1) the ''*Company*'' refers only to Arrow Global Guernsey Holdings Limited and any successor obligor on 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; and (3) ''*Holdings*'' refers only to Arrow Global Investments Holdings Limited, and any successor obligor to its Holdings Guarantee (as defined herein), and not to any of its subsidiaries, including the Issuer. 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 Initial Guarantors (as defined herein) and The Bank of New York Mellon, 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 stated in the Indenture, but will not incorporate any provisions by reference to, or otherwise be subject to, the Trust Indenture Act of 1939, as amended. Within 30 days after the Completion Date (as defined below), each of the Post-Completion Guarantors is required to become a party to the Indenture and guarantee the Notes on a senior secured basis. Prior to the Completion Date, the Company will not own or control the Post-Completion Guarantors, and Quest Topco Limited and its subsidiaries (including the Post-Completion Guarantors) (the ''*Target Group*'') will not be subject to the covenants described in this Description of the Notes. As such, we cannot assure you that prior to the Completion Date, the Target Group will not engage in activities that would otherwise have been prohibited by the Indenture had those covenants been applicable to such entities after the Issue Date and prior to the Completion Date.

The net proceeds of the offering of the Notes sold on the Issue Date will be used by the Company to fund the purchase price for the Acquisition and to pay costs and expenses incurred in connection with the Transactions as set forth in this Offering Memorandum under the caption ''Use of Proceeds''. Pending consummation of the Acquisition and the satisfaction of certain other conditions as described below, Goldman Sachs International will, concurrently with the closing of the offering of the Notes on the Issue Date, deposit the gross proceeds of the offering of the Notes into a segregated escrow account (the ''*Escrow Account*''), pursuant to the terms of an escrow agreement (the ''*Escrow Agreement*'') dated as of the Issue Date among, *inter alios*, the Issuer, the Trustee and The Bank of New York Mellon, as escrow agent (the ''*Escrow Agent*''). If the Acquisition is not consummated on or prior to February 12, 2015 (such date, the ''*Escrow Longstop Date*''), or upon the occurrence of certain other events, the Notes will be redeemed at a price equal to 100% of the issue price thereof, plus accrued and unpaid interest and Additional Amounts (as defined below), if any, from the Issue Date to the Special Mandatory Redemption Date (as defined below). See ''—Escrow of Proceeds; Special Mandatory Redemption''.

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. Please see ''Description of Other Indebtedness—Intercreditor Agreement'' for a description of the material terms of the Intercreditor Agreement.

This ''Description of the Notes'' is intended to be an overview of the material provisions of the Notes and the Indenture and refers to the Escrow Agreement, the Security Documents, the Intercreditor Agreement, and certain other agreements. This description does not restate those agreements in their entirety. We urge you to read the Indenture, the Notes, the Escrow Agreement, the Security Documents, and the Intercreditor Agreement because they, and not this description, define your rights as holders of the Notes (''Holders'').

Copies of the Indenture, the form of Notes, the Note Guarantees, the Security Documents and the Intercreditor Agreement are available as set forth under ''Additional information.''

The Indenture is unlimited in aggregate principal amount, but this issuance of Notes is limited to €225.0 million aggregate principal amount of Notes. We may 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 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 otherwise specified in the Indenture. Unless the context otherwise requires, in this ''Description of the Notes,'' references to the ''Notes'' include the Notes and the 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 2020 Notes;
- will be secured by the Collateral described below along with obligations under the 2020 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 €225.0 million aggregate principal amount of Notes on the Issue Date. The Notes, together with any Additional Notes (if issued), will be treated as a single class of securities for all purposes of the Indenture, including for the purposes of voting and taking all other actions permitted by Holders, except as otherwise specified in the Indenture. The Notes will mature on November 1, 2021. 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, société anonyme (''*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) 5.25%, as determined by the Calculation Agent. Interest on the Notes will be payable, in cash, quarterly in arrears on March 1, June 1, September 1 and December 1 of each year, commencing on March 1, 2015, to holders of record on the immediately preceding February 15, May 15, August 15 and November 15, 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 first day of such 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. 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.

''*euro-zone*'' means the region comprised of member states of the European Union that at the relevant time have adopted the euro.

''*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 exclude March 1, 2015.

''*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 Issuer will also use reasonable endeavors to undertake to maintain a paying agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC regarding the taxation of savings income or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income, or any law implementing, or complying with or introduced in order to conform to, such directive (the ''*Directive*'') (so long as there is at least one such member state). 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:

- Each series of 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*'').
- Each series of 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 (including, following the Completion Date, a member of the Target Group) (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 initial Subsidiary Guarantors will consist of Arrow Global (Holdings) Limited, Arrow Global Guernsey Limited, Arrow Global Receivables Management Limited, Arrow Global Limited and Arrow Global Accounts Management Limited and will include each entity that has guaranteed, or is a borrower under, the Revolving Credit Facility at the Issue Date. As at June 30, 2014, the Guarantors held 100% of the total assets of the Group and were responsible for 99% of the liabilities of the Group. For the twelve months ended June 30, 2014, the Guarantors were responsible for 99% of the Group's Adjusted EBITDA, and 99% of the Group's total revenue.

Each of the Initial Guarantors will guarantee the Notes as of the Issue Date. In addition, within 30 days after the Completion Date, each of the Post-Completion Guarantors is required to become a party to the Indenture and guarantee the Notes on a senior secured basis.

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 to the granting of guarantees and security in respect of obligations under the 2020 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 (including subsidiaries in the Target Group) that do not become Guarantors.

Security

The Collateral

The Notes will initially be secured by a first-priority lien on the Escrowed Property (as defined below) deposited into the Escrow Account as described below under ''—Escrow of Proceeds; Special Mandatory Redemption''. The Escrowed Property that is deposited in the Escrow Account will not be pledged to secure any obligations other than the Issuer's obligations under the Notes and the Indenture. Upon the Release (as defined below), the first-priority lien over the Escrowed Property will be released.

In addition, 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 Initial Guarantor has granted or will grant to the Security Agent security interests in all the following (collectively, the ''*Initial 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, including the Issuer's rights under any Proceeds Loan,

and all related rights thereto.

On the Issue Date, the Issuer and the Initial Guarantors will also provide a security confirmation confirming that the security documents currently securing the Revolving Credit Facility and the 2020 Notes will extend to secure the Notes.

Within 30 days after the Completion Date, subject to the operation of the Agreed Security Principles (including the exceptions set out below), the Notes are also required to be secured by:

(a) real property and any rights or interests related thereto of the Post-Completion Guarantors;

(b) all the shares in Quest Topco Limited and the Post-Completion Guarantors;

(c) all bank accounts of each Post-Completion Guarantor (other than accounts used to collect amounts held on trust for third parties);

(d) all other material assets of the Post-Completion Guarantors (including amounts owing by a debtor to a Post-Completion Guarantors under certain Portfolio Assets (other than such Portfolio Assets which expressly prohibit an assignment or charge of such Post-Completion Guarantor's rights, title and benefits thereunder); and

(e) the rights of the Post-Completion Guarantors under intercompany receivables, and all related rights thereto,

(the ''Additional Collateral'' and together with the Initial Collateral, the ''*Collateral*''), which collateral will also be required to be pledged to secure the 2020 Notes and the Revolving Credit Facility.

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, 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 Initial Collateral (and the Security Documents with respect to the Initial Collateral) are, and the Collateral (and the Security Documents with respect to the Collateral) will be, 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 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. Please 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 the 2020 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 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;

(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—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 2020 Notes and the guarantees of the 2020 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 2020 Notes Indenture and the 2020 Notes.

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 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 Trustee 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 relating to the Notes 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.

Escrow of Proceeds; Special Mandatory Redemption

Concurrently with the closing of the offering of the Notes on the Issue Date, the Issuer will enter into the Escrow Agreement with, among others, the Trustee and the Escrow Agent, pursuant to which Goldman Sachs International will deposit with the Escrow Agent an amount equal to the gross proceeds of the offering of the Notes sold on the Issue Date into the Escrow Account. The Escrow Account will be pledged on a first-ranking basis in favor of the Trustee for the benefit of the Holders pursuant to an escrow charge dated the Issue Date between the Issuer and the Trustee (the ''*Escrow Charge*''). The initial funds deposited in the Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Account and all eligible investments (as permitted in the Escrow Agreement) held by the Escrow Agent from time to time (less any property and/or funds paid in accordance with the Escrow Agreement), if any, are referred to, collectively, as the ''*Escrowed Property*''.

In order to cause the Escrow Agent to release the Escrowed Property to the Issuer (the ''*Release*''), to be used to fund the Acquisition, the Escrow Agent and the Trustee shall have received from the Issuer, at a time that is on or before the Escrow Longstop Date, an Officer's Certificate to the effect that:

(1) all conditions under the Acquisition Agreement have been, or substantially concurrent upon the Release will be, satisfied in full (or waived by the relevant parties except for waivers that are materially adverse to the interests of the Holders) and, promptly upon the Release, the Acquisition will be completed in accordance with the terms of the Acquisition Agreement as in effect on the Issue Date, except for any changes, waivers or other modifications that are not, individually or when taken as whole, materially adverse to the interests of the Holders;

(2) substantially concurrent with the release of the Escrowed Property, the Company will own or control, directly or indirectly, all of the outstanding Capital Stock of Quest Topco Limited and each of its subsidiaries, being the entities being acquired pursuant to the Acquisition Agreement;

(3) as of the Release, there is no Event of Default under clause (6) of the first paragraph under the heading titled ''Event of Default'';

(4) the Post-Completion Guarantors will as soon as reasonably practicable following the Release, and in no event later than 30 days following the Completion Date, become parties to the Indenture and the 2020 Notes Indenture, in each case by means of a supplemental indenture;

(5) there has been no material breach of the purchase agreement among the Issuer, the Initial Guarantors and the Initial Purchasers, by the Issuer or the Initial Guarantors, and following the execution of the purchase agreement joinder, by the Post-Completion Guarantors, which has not been cured within 10 Business Days of such breach; and

(6) the Post-Completion Guarantors will as soon as reasonably practicable following the Release, and in no event later than 30 days following the Completion Date, by execution of a debtor accession deed to the Intercreditor Agreement and debenture provide the Additional Collateral for the benefit of the Holders of the Notes as well as the 2020 Notes.

The Release shall occur promptly upon the satisfaction of the conditions set forth above (the date of such satisfaction, the ''*Completion Date*''). Upon the Release, the Escrow Account shall be reduced to zero, and the Escrowed Property shall be paid out in accordance with the Escrow Agreement.

In the event that (a) the Completion Date does not take place, (b) there occurs a repudiation by the Issuer of any of its obligations under the Escrow Agreement or the Escrow Charge or the Escrow Agreement or the Escrow Charge becomes unenforceable against the Issuer for any reason (c) in the reasonable judgment of the Issuer, the Acquisition will not be completed, (d) any of the conditions set forth in the Escrow Agreement in relation to the Release becomes incapable of being satisfied, or (e) an Event of Default arises under clause (6) of the first paragraph under the heading titled ''Event of Default'', in each case, on or prior to the Escrow Longstop Date (the date of any such event being the ''*Special Termination Date*''), the Issuer will redeem (the ''*Special Mandatory Redemption*'') all of the Notes at a price (the ''*Special Mandatory Redemption Price*'') equal to 100% of the issue price of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory Redemption Date.

Notice of the Special Mandatory Redemption will be delivered by the Issuer, no later than one Business Day following the Special Termination Date, to the Trustee, the Paying Agent and the Escrow Agent, and will provide that the Notes shall be redeemed on a date that is no later than the fifth Business Day after such notice is given by the Issuer in accordance with the terms of the Escrow Agreement (the ''*Special Mandatory Redemption Date*''). On the Special Mandatory Redemption Date, the Escrow Agent shall pay to the Paying Agent for payment to each Holder the Special Mandatory Redemption Price for such Holder's Notes and, concurrently with the payment to such Holders, deliver any excess Escrowed Property (if any) to the Issuer. If the Special Mandatory Redemption Date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest, if any, 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 are subject to Special Mandatory Redemption by the Issuer.

If at the time of such Special Mandatory Redemption, 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 notify the Luxembourg Stock Exchange that the Special Mandatory Redemption has occurred and any relevant details relating to such Special Mandatory Redemption.

No provisions of the Escrow Agreement (including, without limitation, those relating to the release of the Escrowed Property) or, to the extent such provisions relate to the Issuer's obligation to redeem the Notes in a Special Mandatory Redemption, the Indenture, may be waived or modified in any manner materially adverse to the Holders without the consent of at least 90% in aggregate principal amount of the Notes effected thereby.

Optional redemption

Except as set forth herein, under ''—Redemption for taxation reasons'' and under ''—Escrow of Proceeds; Special Mandatory Redemption'', the Notes are not redeemable at the option of the Issuer.

At any time and from time to time on or after November 1, 2017, 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 November 1 of the years indicated below:

Year	Redemption Price
2017	102.625%
2018	101.313%
2019 and thereafter	100.000%

At any time and from time to time prior to November 1, 2017, the Issuer may redeem with the Net Cash Proceeds received from any Equity Offering upon not less than 10 nor more than 60 days' prior notice the Notes at a redemption price equal to 105.250% 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 prior to November 1, 2017, 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 (except pursuant to ''—Escrow of Proceeds; Special Mandatory Redemption'') 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 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 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, as defined below, 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 clause (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 (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 comply with a written request of the Payor addressed to the Holder or beneficial owner of a Note, after notice made at least 60 days before any such withholding or deduction is to be made, to provide certification, information, documents or other evidence concerning the nationality, residence, identity or connection with the Relevant Taxing Jurisdiction of the Holder or such beneficial owners or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, in each case that is required by applicable law, regulation, treaty or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Tax, *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 that are required to be deducted or withheld pursuant to the European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such directive or pursuant to Luxembourg law of December 23, 2005 introducing a withholding tax on certain savings paid to Luxembourg;

(6) any Taxes imposed on a Holder or beneficial owner of a Note who would have been able to avoid such Tax by presenting the relevant Note to, or otherwise accepting payment from, another Paying Agent in a member state of the European Union;

(7) 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;

(8) 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

(9) 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) where, had the beneficial owner of the Note been 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, such beneficial owner would not have been entitled to payment of Additional Amounts by reason of any of clauses (1) to (8) inclusive above, but only if there is no material cost or legal restriction associated with transferring the Note to such beneficial owner.

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 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 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 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 Paying Agent shall be entitled to rely solely on such Officer's Certificate without further inquiry, as conclusive proof that such payments are necessary.

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,

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, delivery, registration or enforcement of any Notes, the Indenture, the Proceeds Loan Agreement, 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 Related 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 provision 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 therefrom), the Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries is greater than 2.5 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)) outstanding on the Issue Date, including the 2020 Notes, (c) 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, (d) Management Advances and (e) the Proceeds Loan;

(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 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 or 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 on the same basis as for calculating the Secured LTV Ratio for the Company and its Restricted Subsidiaries 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 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 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 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 2020 Notes Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5)(a) (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 2020 Notes 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 2020 Notes 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 2020 Notes 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 2020 Notes 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 2020 Notes 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 2020 Notes 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) (a) 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, and (b) payments associated with the Transactions;

(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 2020 Notes Issue Date plus (C) the Net Cash Proceeds received by the Company or its Restricted Subsidiaries since the 2020 Notes 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 (B), 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 2020 Notes 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 £25.0 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 2.25 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 June 30, 2014, the amount available under the first paragraph of this covenant for Restricted Payments was approximately £60.0 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.

For the avoidance of doubt, the Company will not permit any Lien (including any Permitted Lien) to be created, incurred or suffer to exist upon the Escrowed Property except for Liens to secure obligations under the Notes.

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 2020 Notes and the 2020 Notes Indenture (including guarantees in respect of the 2020 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 or the ability of the Intercompany Borrowers to make principal or interest payments on the Proceeds Loan;

(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) or clause (b) above, 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 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 pound sterling, the amount thereof payable in respect of the Notes shall not exceed the net amount of funds in pound sterling that is actually received by the Issuer upon converting such portion into pound 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 or 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 September 30, 2014, 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 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 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 make 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 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 such 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 as 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, if applicable, the Proceeds Loan Agreement; 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 such 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 such 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) 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 2020 Notes or any Public Debt; (b) undertaken with the purpose of, and directly related to, fulfilling its obligations under the Notes, the Indenture, the 2020 Notes, the 2020 Notes Indenture and any other document relating to the Notes (including the Proceeds Loan and the proceeds loan with respect to the 2020 Notes), the Security Documents, the Intercreditor Agreement, the 2020 Notes 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 2020 Notes Indenture, the 2020 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: (i) as contemplated in the ''Use of Proceeds'' section of this Offering Memorandum; and (ii) to subscribe for the Proceeds Loan issued by the Intercompany Borrowers promptly upon the receipt of proceeds from the issuance of the Notes.

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 2020 Notes, the 2020 Notes Indenture, 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 2020 Notes, the 2020 Notes Indenture, 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.

Limitations on amendments to the Proceeds Loan

For so long as any Notes are outstanding, the Issuer will not, except as expressly permitted by the Indenture, (i) change the Stated Maturity of the principal of, or any installment of interest on the Proceeds Loan; (ii) reduce the rate of interest on the Proceeds Loan; (iii) change the currency for payment of any amount under the Proceeds Loan; (iv) prepay or otherwise reduce or permit the prepayment or reduction of the Proceeds Loan (except to facilitate a payment of principal on the Notes); (v) assign or novate any Proceeds Loan or any rights or obligations under the Proceeds Loan Agreement (other than to secure the Notes and the Note Guarantees or to grant any Permitted Collateral Lien or in connection with a transaction that is subject to the covenant described under the caption ''—Merger and consolidation'' and is completed in compliance therewith); or (vi) amend, modify or alter the Proceeds Loan or the Proceeds Loan Agreement and the terms of the Intercreditor Agreement related to the Proceeds Loan in any manner adverse to the rights of the Holders in any material respect. Notwithstanding the foregoing, (i) the Proceeds Loan may be prepaid or reduced to facilitate or otherwise accommodate or reflect a repayment, redemption or repurchase of outstanding Notes and (ii) to the extent not having a materially adverse effect to Holders, the Proceeds Loan may be novated and/or assigned to any Guarantor.

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 is 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 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;

(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;

(10) except in accordance with the Indenture or as a result of a repayment in full, a Proceeds Loan Agreement ceases to be in full force and effect or is declared fully or partially void in a judicial proceeding or the Intercompany Borrowers or any other Restricted Subsidiary asserts that any Proceeds Loan is fully or partially invalid;

(11) failure by the Issuer to consummate the Special Mandatory Redemption as described under the caption “—Escrow of Proceeds; Special Mandatory Redemption”; and

(12) failure by the Issuer to comply with any material term of the Escrow Agreement that is not cured within 10 days;

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 clauses (6), (11) or (12) 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 clauses (6), (11) or (12) 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 is not 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; and (4) 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 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 such 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 2020 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.

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 ten 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 such 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

''*2020 Notes*'' means the Issuer's £220,000,000 7.875% Senior Secured Notes due 2020 issued pursuant to the 2020 Notes Indenture.

''*2020 Notes Indenture*'' means the indenture dated January 29, 2013 among, *inter alios*, the Issuer, the Company and The Bank of New York Mellon, as trustee, as supplemented by a supplemental indenture dated March 28, 2013 (and as it may be further amended, supplemented and/or restated from time to time).

''*2020 Notes Issue Date*'' means January 29, 2013.

''*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) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

''*Acquisition*'' means the acquisition by Holdings of all of the shares in Quest Topco Limited pursuant to the Acquisition Agreement.

''*Acquisition Agreement*'' means the sale and purchase agreement among, *inter alios*, Arrow Global Group plc, Holdings and Quest Holdings B.V. dated September 23, 2014 relating to the sale and purchase of all of the shares in Quest Topco Limited.

''*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.

''*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 November 1, 2017 (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 November 1, 2017 (excluding accrued but unpaid interest), computed using a discount rate equal to the Bund Rate as of such redemption date plus 50 basis points and assuming that the rate of interest on such Notes from the redemption date through November 1, 2017 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 or 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.

''*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).

''*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 November 1, 2017; *provided, however*, that if the period from the redemption date to November 1, 2017, 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 November 1, 2017, 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 (''TARGET2'') 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, Ireland, Portugal and Italy), Switzerland or Norway or, in each case, any agency or instrumentality of 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 Moody's or S&P (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 12 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, société anonyme, 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 Transactions), 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.

For the 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, (a) calculations will be as determined in good faith by a responsible financial or accounting officer of the Company (in respect of synergies and cost savings) as though the full effect of such synergies and cost savings were realized in 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 and (b) in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any

Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred 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 2020 Notes, the 2020 Notes Indenture, 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 at the last day of the month most recently ended prior to the date of calculation.

''*Escrowed Proceeds*'' means the proceeds from the offering of any debt securities or other Indebtedness paid into an escrow account with an independent escrow agent on the date of the applicable offering or Incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term ''Escrowed Proceeds'' shall include any interest earned on the amounts held in escrow.

''*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.

''*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.

''*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 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 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 chief 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 interbank 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.

''*Guarantor*'' 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, incur, 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) 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.

''*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 Guarantors*'' means the Company, Holdings, Arrow Global (Holdings) Limited, Arrow Global Guernsey Limited, Arrow Global Receivables Management Limited, Arrow Global Accounts Management Limited and Arrow Global Limited;

''*Initial Public Offering*'' means (a) the initial public offering of the shares in Arrow Global Group plc 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 2020 Notes and the other parties named therein, as 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 November 4, 2014.

''*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 at 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, the Proceeds Loan Agreement and the Security Documents.

''*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 Transactions 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 2020 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), (23) and (25) 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) and (c) (if the original Indebtedness was so secured), including the 2020 Notes, (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 Indebtedness Incurred under the first paragraph of ''—Certain covenants—Limitation on Indebtedness''; *provided* that, in the case of this clause (C), after giving effect to such Incurrence on that date, the Secured LTV Ratio is less than 0.60, 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 the definition of ''Permitted Investments'' 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 2020 Notes and any Additional Notes and Investments pursuant to the Proceeds Loan and the proceeds loan with respect to the 2020 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 on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(22) 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;

(23) 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;

(24) Liens which do not exceed £5.0 million at any one time outstanding;

(25) Liens on Capital Stock of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(26) 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;

(27) Liens on Rights to Collect Accounts, 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

(28) 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 (26) 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.

''*Post-Completion Guarantors*'' means Capquest Investments Limited and Capquest Debt Recovery Limited.

''*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.

''*Proceeds Loan*'' means the loan of the net proceeds of the Notes pursuant to the Proceeds Loan Agreement and all loans directly or indirectly replacing or refinancing such loan or any portion thereof.

''*Proceeds Loan Agreement*'' means that certain loan agreement made as of the Issue Date by and among the Intercompany Borrowers, as borrower, and the Issuer, as lender.

''*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;

(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.

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"*Revolving Credit Facility*" means the senior secured revolving credit facility agreement dated January 29, 2013 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.

"*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.

"*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 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.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*S&P*" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Secured Indebtedness*" means any Indebtedness secured by a Lien.

"*Secured LTV Ratio*" means, in respect of any date of calculation, the aggregate Secured Indebtedness of the Company and its Restricted Subsidiaries less cash and Cash Equivalents (other than cash or Cash Equivalents in an amount equal to amounts collected by the Company and its Restricted Subsidiaries on behalf of third-party clients and held by the Company and its Restricted Subsidiaries as of such date) as of such date, divided by ERC (rounding down from the third decimal point onwards); *provided* that ERC shall be adjusted to give effect to 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 by management acting in good faith. In determining the Secured LTV Ratio in connection with the Incurrence of Indebtedness and the granting of a Lien, the Secured LTV Ratio shall be determined on a *pro forma* basis for the relevant transaction and the use of proceeds of such Indebtedness provided that no cash or Cash Equivalents shall be included in the calculation of the pro forma Secured LTV Ratio that are, or are derived from, the proceeds of Indebtedness in respect of which the pro forma calculation is to be made, except, for the avoidance of doubt, to the extent cash or Cash Equivalents will be expended in a transaction to which *pro forma* effect is given; provided further that any cash and Cash Equivalents received by the Company or any of its Restricted Subsidiaries from the issuance or sale of its Capital Stock, Subordinated Shareholder Funding or other capital contributions subsequent to the Issue Date shall (to the extent they are taken into account in determining the amount available for Restricted Payments under such clauses) be excluded for purposes of making Restricted Payments and Permitted Payments, as applicable, under clauses (c)(ii) and (c)(iii) of the first paragraph and clauses (1) and (13) of the third paragraph of the covenant described under "Certain covenants—Limitation on Restricted Payments" to the extent such cash and Cash Equivalents are included in the calculation of the Secured LTV Ratio.

"*Securities A*ct" 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 sterling, at any time of determination thereof by the Company or the Trustee, the amount of sterling obtained by converting such currency other than sterling involved in such computation into sterling at the spot rate for the purchase of sterling with the applicable currency other than 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.

''*Transactions*'' means the issuance of the Notes and the use of proceeds therefrom to fund the Acquisition and to pay transaction fees and expenses, each as described in ''Use of Proceeds''.

''*Trust Management Assets*'' means Rights to Collect Accounts, 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 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

Notes sold to QIBs in reliance on Rule 144A under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the ***Rule 144A Global Note***). Notes sold outside the United States in reliance on Regulation S under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the ***Regulation S Global Note*** and, together with the Rule 144A Global Note, 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 Note (***Rule 144A Book-Entry Interests***) and in the Regulation S Global Note (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 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 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 euros.

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 Notes (including the presentation of 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 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 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 the 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 euros. 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 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 HM Revenue & Customs (***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 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 such 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 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, in certain circumstances, to obtain information about: payments derived from securities (whether income or capital); certain payments of interest (including the amount payable on the redemption of a deeply discounted security); and securities transactions.

The persons from whom HMRC can obtain information include: a person who receives (or is entitled to receive) a payment derived from securities; a person who makes such a payment (received from, or paid on behalf of another person); a person by or through whom interest is paid or credited; a person who effects or is a party to securities transactions (which includes an issue of securities) on behalf of others; registrars or administrators in respect of securities transactions; and each registered or inscribed holder of securities.

The information HMRC can obtain includes: details of the beneficial owner of securities; details of the person for whom the securities are held, or the person to whom the payment is to be made (and, if more than one, their respective interests); information and documents relating to securities transactions; and, in relation to interest paid or credited on money received or retained in the UK, the identity of the security under which interest is paid. HMRC is generally not able to obtain information (under its power relating solely to interest) about a payment of interest to (or a receipt for) a person that is not an individual. This limitation does not apply to HMRC's power to obtain information about payments derived from securities.

The provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Notes which constitute ''deeply discounted securities'' for the purposes of Schedule 23 of the Finance Act 2011 (although in this regard HMRC's published guidance for the year 2014/2015 indicates that it will not exercise its power to obtain information in relation to such payments in that year).

In certain circumstances the information which HMRC has obtained using these powers may be exchanged with 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 Notes (other than certain trustees) who is not resident for tax purposes in the UK unless (i) that holder of 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 the 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 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.

European Union Directive on the Taxation of Savings Income

Under the Directive, each Member State is required to provide to the tax authorities of another Member State details of certain payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident (or certain other kinds of entity established) in that other Member State. However, for a transitional period, Austria and Luxembourg are instead required (unless during that period they elect otherwise) to apply a withholding system in relation to such payments, deducting tax at a rate of 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. However, during that transitional period, no such withholding will apply under the Directive to a payment if the beneficial owner of that payment authorizes an exchange of information and/or the beneficial owner presents a certificate from the tax authority of the EU Member State in which the beneficial owner is resident. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from January 1, 2015, in favor of automatic information exchange under the Directive.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures (in certain circumstances on a reciprocal basis). Investors who may be affected by any of these arrangements are advised to consult their own professional advisors.

The Council of the European Union has adopted the Amending Directive which will, when implemented, amend and broaden the scope of the requirements of the Directive described above. Member states are required to apply these new requirements from January 1, 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Amending Directive will also expand the circumstances in which payments must be reported, which may apply to payments made to, or collected for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

If a payment were to be made or collected through a Member State (or a non-EU country or territory which has adopted similar measures) which has opted for a withholding system and an amount of tax were to be withheld from, or in respect of, that payment, pursuant to the Directive or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any other law implementing or complying with, or introduced in order to confirm to any such directive, neither the Issuer nor any paying agent nor any other person would be obliged to pay additional amounts to the holders of Notes or to otherwise compensate holders for the reduction in the amounts that they will receive as a result of the imposition of such withholding tax. However, the Issuer is required, to the extent possible, to use reasonable endeavors to maintain a paying agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive (so long as there is at least one such Member State).

Investors who are in any doubt as to their position, as regards the Directive, should consult their professional advisors. Investors should also note that the Directive does not preclude Member States from levying other types of withholding tax.

Proposed Financial Transactions Tax

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***).

Under the February 14, 2013, 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 would 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 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 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. However, primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt and therefore the issuance and subscription of Notes should be exempt.

In May 2014, a joint statement by ministers of the participating Member States (excluding Slovenia) proposed a ''progressive implementation'' of the FTT, with the initial focus on applying the tax to transactions in shares and some derivatives, with this initial implementation occurring by January 1, 2016. However, full details are not available and further changes could be made prior to adoption.

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 EU

Member States may decide to participate, although certain EU Member States have expressed strong objections to the proposal. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

UK Corporation Tax Payers

In general, holders of 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 sterling, then the 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 should 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 constitute ''qualifying corporate bonds,'' a disposal 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 the 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 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 or ordinarily 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 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 the Notes are attributable generally will be liable to UK income tax on any gain made on the sale or other disposal (including redemption) of the 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. This discussion addresses only U.S. Holders that purchase 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 SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF PARTICIPATING IN THE OFFER UNDER THE LAWS OF PORTUGAL, THE UNITED KINGDOM AND THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTION WHERE THE HOLDER MAY BE SUBJECT TO TAXATION.

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 or its political subdivisions, (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 U.S. 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 should 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 the event of a Change of Control, and, if that contingency were not remote the Notes could be treated as contingent payment debt instruments subject to those special rules. We believe 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 as original issue discount (***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 be treated as ordinary income. Prospective purchasers of the Notes should consult their own tax advisors regarding the treatment of the Notes as contingent payment debt instruments.

Interest

Interest on the Notes, including Additional Amounts, if any, and any Taxes withheld on payments of interest or Additional Amounts, generally will be includible in the gross income of a U.S. Holder in accordance with such holder's regular method of tax accounting. The interest 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 non-U.S. withholding tax withheld at the appropriate rate. U.S. Holders should consult their own tax advisors regarding the possible availability of foreign tax credits.

The Notes will 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 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 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 qualified 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 in all prior accrual periods and reduced by the amount of all payments previously received (other than payments of qualified 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.

U.S. Holders may obtain information regarding the amount of OID, the issue price, the issue date and yield to maturity by contacting the Company at the address set forth under ''Listing and General Information.''

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 in the case of OID) accruing interest 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 an interest payment in euros (including, upon sale of a Note, the receipt of proceeds that include accrued and unpaid interest previously included in income), U.S. Holders that have accrued interest (including 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) may elect to translate accrued interest 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 instead may translate the accrued interest at the spot exchange rate on the date of actual receipt for purposes of translating accrued interest income 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) 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 qualified 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 previously accrued OID and reduced by the amount of any payments on the Notes (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 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. A U.S. Holder will have a tax basis in the currency 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 Note, 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 Received

The tax basis of euros received by a U.S. Holder generally will equal the U.S. dollar value of euros at the spot exchange rate on the date it is received. Upon a subsequent exchange of such currency 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 euros, respectively, and the U.S. dollars received or the U.S. dollar value of the other currency (at the spot rate on the date of exchange) or property. Such gain or loss will be U.S. source ordinary gain or loss.

Additional Tax on Investment Income

Certain U.S. Holders who are individuals, estates or trusts and whose income exceeds certain thresholds generally will be required to pay an additional 3.8 percent 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 should 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 OID), 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 returns. 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 Initial Purchasers, the Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Issuer, the 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 Member State of the EEA that has implemented the Prospectus Directive (each, a ***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 (the ***Relevant Implementation Date***), 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 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 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, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

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 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 and the U.S. Exchange Act, 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, Goldman Sachs International (as 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 three 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+3'').

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. In particular, Goldman Sachs International was a joint bookrunner in our offering of the 2020 Notes. Certain affiliates of the Initial Purchasers are also lenders under the Arrow Global Revolving Credit Facility. Goldman Sachs International acted as our adviser in connection with the Capquest Acquisition, and an affiliate of Goldman Sachs International has entered into a commitment with us in respect of a bridge facility (which we currently do not intend to utilize) to finance a portion of the costs, fees and expenses related to the Capquest Acquisition. 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; or (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 ''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] 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, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE 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 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.

5. 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.

6. The purchaser has received a copy of the Offering Memorandum relating to the Offering and acknowledges that (i) neither we nor the Initial Purchasers nor 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 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.

7. The Registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth herein have been complied with.

8. 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.

9. 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).

10. 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.''

11. 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.

12. Either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the Notes constitutes assets of any Plan or governmental or church plan subject to Similar Law 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 purchaser or transferee will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a 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 and by Mourant Ozannes 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 A O Hall as to matters of Guernsey law. .

INDEPENDENT ACCOUNTANTS

AGGHL

The consolidated financial statements of AGGHL as of and for the years ended December 31, 2011, 2012 and 2013 prepared in accordance with IFRS as adopted by the European Union and included elsewhere herein have been audited by Deloitte LLP, independent auditors, as stated in their reports appearing herein. Deloitte LLP is a current member of the Institute of Chartered Accountants in England and Wales.

Deloitte LLP's reports, in accordance with relevant professional guidance, include the following limitations: ''This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. 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.''

On July 2, 2014, AGG announced that the Arrow Global Group had replaced Deloitte LLP as its independent auditors with KPMG LLP. On resignation as our independent auditors, Deloitte LLP indicated that there were no circumstances in connection with their resignation which they considered should be brought to the attention of AGG's shareholders or creditors.

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, 2013, prepared in accordance with IFRS as adopted by the European Union and included elsewhere herein have been audited by Deloitte LLP, independent auditors, as stated in their report appearing herein. Deloitte LLP is a current member of the Institute of Chartered Accountants in England and Wales.

Deloitte LLP's report, in accordance with relevant professional guidance, include the following limitations: ''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.''

On July 2, 2014, AGG announced that the Arrow Global Group had replaced Deloitte LLP as its independent auditors with KPMG LLP. On resignation as our independent auditors, Deloitte LLP indicated that there were no circumstances in connection with their resignation which they considered should be brought to the attention of AGG's shareholders or creditors.

KPMG LLP is a current member of the Institute of Chartered Accountants in England and Wales.

Quest Topco Limited

The consolidated historical financial information of Quest Topco Limited as of and for the years ended March 31, 2012, 2013 and 2014 prepared in accordance with the basis of preparation set out in the consolidated historical financial information of Quest Topco Limited and included elsewhere herein has been reported on by Ernst & Young LLP, as stated in their reports appearing herein. Ernst & Young LLP is a current member of the Institute of Chartered Accountants in England and Wales.

Ernst & Young LLP's report, in accordance with relevant professional guidance, include the following limitations: ''Save for any responsibility which we may have to those whom this report is expressly addressed and for any responsibility under the applicable law to investors purchasing the notes of Arrow Global Finance plc in reliance on this report, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report.''

General

Investors in the Notes should understand that the statements of limitation above are intended to disclaim any liability to parties (such as purchasers of the Notes) other than to the members of the AGGHL, the Issuer and the Capquest Group Topco Limited, as the case may be, 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 accountants based on their reports or the consolidated financial statements to which they relate could be limited. The extent to which accountants 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 their reports is untested in the context of an offering of securities. The inclusion of the language referred to above, however, may limit the ability of holders of the Notes to bring any action against Deloitte LLP or Ernst & Young LLP for damages arising out of an investment in the Notes.

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, and the Indenture (which 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, the Issuer or the Parent Guarantors 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, as the case may be, conflicts of laws principles;
- 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, 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 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, 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 enforcement, as the case may be, proceedings 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, as the case may be, judgments 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 being, or are expected to be, provided. It is a summary only, and proceedings of bankruptcy, insolvency or a similar event 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 of the European Union.

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 centre 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 centre 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 centre 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 centre 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 or has its head office and the location where the majority of the company's creditors are established. A company's centre 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 centre 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 centre 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 centre 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 centre 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 centre 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.

England and Wales

The Issuer and a number of the Guarantors or expected future Guarantors are companies incorporated under the laws of England and Wales (the ***English Obligors***). 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 centre of main interests. The centre 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 centre 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 centre 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 ring-fencing. 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 therefrom 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, 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 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 pounds sterling must be converted into pounds sterling at the ''official exchange rate'' prevailing at the date when the debtor went into liquidation or administration. This provision overrides any agreement 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 factual 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 factual 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 at 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, and the floating charge was granted within the specified period referred to below, 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 creditors' voluntary winding up (other than as an exit from administration) is effected by a resolution of the members, not the creditors, but once in place operates under the control of the creditors.

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.

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, 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 Guernsey Financial Services Commission 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.

LISTING AND GENERAL INFORMATION

Listing

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market in accordance with the rules and regulations of the Luxembourg Stock Exchange. Notice of any optional redemption, change of control or any change in the rate of interest payable on 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 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 after the issuance of the Notes. Transactions will normally be effected for settlements in euro 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 Note	XS1132461895	113246189
Regulation S Global Note	XS1132462786	113246278

Legal Information

Issuer

Arrow Global Finance plc, a direct subsidiary of Arrow Global Investments Holdings Limited 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 20-22 Bedford Row, London WC1R 4JS, 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 offering of the 2020 Notes under the on-loan of proceeds from the offering of the 2020 Notes 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 Tom Drury, Zachary Lewy, and Robert Memmott. The creation and issuance of the Notes have been authorized by resolutions of the Issuer on October 27, 2014.

Guarantors

Original Guarantors

AGGHL, a Parent Guarantor, was incorporated on October 8, 2008 as a company limited by shares under the laws of Guernsey under registration number 49541. The registered address of AGGHL is La Plaiderie House, La Plaiderie, St. Peter Port, Guernsey, GW1 1WG 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 October 27, 2014. For more information on AGGHL's share registry, see ''Principal Shareholders—AGGHL.''

AGIHL, a Parent Guarantor, was incorporated as ''Arrow Global Investments Holdings Limited'' on January 11, 2013 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 20-22 Bedford Row, London WC1R 4JS, 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 5,748,001 Ordinary Shares with nominal value of £1 each, all fully paid up and issued, with a total value of £5,748,001. AGIHL was authorized to act as Guarantor by a written resolution of its sole shareholder on October 27, 2014.

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 20-22 Bedford Row, London WC1R 4JS, 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 October 27, 2014.

Arrow Global Guernsey Limited, a Guarantor, was incorporated on October 8, 2008 as a company limited by shares under the laws of Guernsey under registration number 49547. The registered address of Arrow Global Guernsey Limited is La Plaiderie House, La Plaiderie, St. Peter Port, Guernsey, GW1 1WG 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 October 27, 2014.

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 20-22 Bedford Row, London WC1R 4JS, 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 £1 each, all fully paid up and issued, with a total value of £3,500 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 October 27, 2014.

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 20-22 Bedford Row, London WC1R 4JS, 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 October 27, 2014.

Arrow Global Accounts Management Limited, a Guarantor, was incorporated as ''Arrow Global Accounts Management Limited'' on March 19, 2013 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 20-22 Bedford Row, London WC1R 4JS, 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, 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 October 27, 2014.

Additional Guarantors

Capquest Investments Limited, a Guarantor, was incorporated as ''Capquest Investments Limited'' on December 21, 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 Fleet 27, Rye Close, Fleet, Hampshire GU51 2QQ, 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 will be authorized to act as Guarantor by a written resolution of its sole shareholder within 30 days after the Capquest Acquisition Completion Date.

Capquest Debt Recovery Limited, a Guarantor, was incorporated as ''Capquest Debt Recovery Limited'' on April 18, 2005 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 Fleet 27, Rye Close, Fleet, Hampshire GU51 2QQ, 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 Investments 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 will be authorized to act as Guarantor by a written resolution of its sole shareholder within 30 days after the Capquest Acquisition Completion Date.

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, 2013;
- there has been no significant change in our financial position as set forth in our unaudited condensed consolidated financial statements as of and for the six months ended June 30, 2014; 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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INDEX TO FINANCIAL INFORMATION

(1) See discussion of change in presentation of net cash flows from operating activities and net cash flows from investing activities within ''Summary Consolidated Historical Financial and Pro forma Data.''

Page

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 30 June 2014

	Note	Six months ended 30 June 2014 Underlying £000	Non-recurring items 2014 £000	Six months ended 30 June 2014 including non-recurring £000	Six months ended 30 June 2013 Underlying £000	Non-recurring items 2013 £000	Six months ended 30 June 2013 including non-recurring £000
Continuing operations							
Revenue							
Income from purchased loan portfolios	8	49,925	—	49,925	42,719	—	42,719
Portfolio write up	8	—	—	—	4,746	—	4,746
Profit on portfolio and loan note sales		504	—	504	115	—	115
		50,429	**—**	**50,429**	**47,580**	**—**	**47,580**
Income from asset management		1,179	—	1,179	719	—	719
Interest income		—	—	—	12	—	12
Total revenue		**51,608**	**—**	**51,608**	**48,311**	**—**	**48,311**
Operating expenses							
Collection activity costs		(15,632)	—	(15,632)	(14,310)	—	(14,310)
Professional fees and services	7	(509)	—	(509)	(1,036)	—	(1,036)
Other operating expenses:							
Non recurring items							
Bond related costs			—			*(1,005)*	
Goodwill impairment			—			*(2,309)*	
IPO related costs			*(870)*			—	
Settlement provisions			*(2,560)*			—	
	7	(7,831)	(3,430)	(11,261)	(4,875)	(3,314)	(8,189)
Total operating expenses		(23,972)	(3,430)	(27,402)	(20,221)	(3,314)	(23,535)
Operating profit		**27,636**	**(3,430)**	**24,206**	**28,090**	**(3,314)**	**24,776**
Finance income	3	302	—	302	—	—	—
Finance costs:							
Non recurring items							
Bond relating costs			—			*(3,916)*	
Settlement provision			*(143)*			—	
	4,7	(12,265)	(143)	(12,408)	(9,625)	(3,916)	(13,541)
Profit before tax		**15,673**	**(3,573)**	**12,100**	**18,465**	**(7,230)**	**11,235**
Taxation charge on ordinary activities	6	(3,448)	672	(2,776)	(4,890)	1,144	(3,746)
Profit for the year attributable to equity shareholders		**12,225**	**(2,901)**	**9,324**	**13,575**	**(6,086)**	**7,489**
Other comprehensive income:							
Foreign exchange translation difference arising on revaluation of foreign operations (which may be reclassified subsequently to profit or loss)		(112)	—	(112)	(42)	—	(42)
Total comprehensive income for the period attributable to equity shareholders		**12,113**	**(2,901)**	**9,212**	**13,533**	**(6,086)**	**7,447**

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2014

Assets	Notes	30 June 2014 £000	31 December 2013 £000	30 June 2013 £000
Non-current assets				
Intangible assets		3,128	3,444	3,638
Property, plant & equipment		245	259	235
Purchased loan portfolios	8	279,704	211,787	203,032
Loan notes	8	1,781	1,668	1,798
Deferred tax asset		16	12	9
Total non-current assets		**284,874**	**217,170**	**208,712**
Current assets				
Cash and cash equivalents		17,130	47,443	9,964
Other receivables		14,288	11,675	9,101
Purchased loan portfolios	8	73,062	62,145	59,408
Total current assets		**104,480**	**121,263**	**78,473**
Total purchased loan portfolios		*352,766*	*273,932*	***262,440***
Total assets		**389,354**	**338,433**	**287,185**
Equity				
Share capital		16	16	16
Share premium		30,523	30,523	30,523
Retained earnings		36,704	27,380	20,357
Other reserves		(437)	(325)	(368)
Total equity attributable to shareholders		**66,806**	**57,594**	**50,528**
Liabilities				
Non-current liabilities				
Senior secured notes	11	212,587	211,920	211,184
Deferred tax liability		2,435	2,646	2,232
Total non-current liabilities		**215,022**	**214,566**	**213,416**
Current liabilities				
Trade and other payables	9	71,616	57,823	11,609
Revolving credit facility	11	26,946	—	4,249
Current tax liability		3,260	2,675	—
Senior secured notes	11	5,704	5,775	7,383
Total current liabilities		**107,526**	**66,273**	**23,241**
Total liabilities		**322,548**	**280,839**	**236,657**
Total equity and liabilities		**389,354**	**338,433**	**287,185**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2014

	Ordinary shares £000	Share premium £000	Retained earnings £000	Translation reserve £000	Total £000
Balance at 1 January 2013	**10**	**3**	**12,868**	**(326)**	**12,555**
Profit for the period	—	—	7,489	—	7,489
Exchange differences	—	—	—	(42)	(42)
Total comprehensive income for the period	—	—	7,489	(42)	7,447
Issue of shares	6	30,520	—	—	30,526
Balance at 30 June 2013	**16**	**30,523**	**20,357**	**(368)**	**50,528**
Profit for the period	—	—	7,023	—	7,023
Exchange differences	—	—	—	43	43
Total comprehensive income for the period	**—**	**—**	**7,023**	**43**	**7,066**
Balance at 31 December 2013	**16**	**30,523**	**27,380**	**(325)**	**57,594**
Profit for the period	—	—	9,324	—	9,324
Exchange differences	—	—	—	(112)	(112)
Total comprehensive income for the period	**—**	**—**	**9,324**	**(112)**	**9,212**
Balance at 30 June 2014	**16**	**30,523**	**36,704**	**(437)**	**66,806**

Any exchange differences are recycled to the statement of comprehensive income.

Translation reserve

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

Consolidated Statement of Cash Flows
for the Period Ended 30 June 2014

	Period Ended 30 June 2014 £000	Period Ended 30 June 2013 £000
Cash flows from operating activities		
Profit before tax	12,100	11,235
Adjusted for:		
Collections in the period	69,265	62,509
Income from purchased loan portfolios	(49,925)	(42,719)
Portfolio write up	—	(4,746)
Proceeds from disposal of purchased loan portfolios	1,585	558
Profit on disposal of purchased loan portfolios	(504)	(115)
Amortisation of financing costs	667	3,594
Depreciation and amortisation	391	365
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	11,314	7,383
Foreign exchange losses/(gains)	700	(295)
Loss/(gain) on fair values on derivatives	139	(220)
Equity settled share-based payment expenses	1,120	—
Cash from secured loan notes from third party	118	—
Operating cash flows before movement in working capital	**46,970**	**41,179**
Increase in other receivables	(3,234)	(2,456)
Increase in trade and other payables	2,119	3,232
Cash generated by operations	**45,855**	**41,955**
Income taxes and overseas taxation paid	(2,656)	(1,594)
Net cash flows from operating activities before purchases of loan portfolios and loan notes	**43,199**	**40,361**
Purchases of purchased loan portfolios	(91,197)	(50,702)
Purchases of loan notes	—	(1,798)
Net cash used in operating activities	**(47,998)**	**(12,139)**
Investing activities		
Purchase of property, plant and equipment	(57)	(49)
Purchase of intangible assets	(24)	(217)
Acquisition of subsidiary, net of cash acquired	—	(17,826)
Net cash used in investing activities	**(81)**	**(18,092)**
Proceeds from additional loans	26,946	6,884
Proceeds from senior notes (net of fees)	—	210,626
Repayment of interest on senior notes	(8,663)	—
Repayment of bank loan	—	(106,859)
Bank interest paid	(584)	—
Repayment of shareholders' loans	—	(77,350)
Repayment of non-controlling interest loans	—	(2,650)
Net cash flows generated by financing activities	**17,699**	**30,651**
Net (decrease)/ increase in cash and cash equivalents	**(30,380)**	**420**
Cash and cash equivalents at beginning of period	47,443	9,610
Effect of exchange rates on cash and cash equivalents	67	(66)
Cash and cash equivalents at end of period	**17,130**	**9,964**

Notes

1. Statutory Information

Arrow Global Guernsey Holdings Limited (the ''Company'') is a company domiciled in Guernsey. The condensed consolidated financial statements of the Company as at and for the six months ended 30 June 2014 comprise the Company and its subsidiaries (the ''Group'').

These interim results have been prepared in accordance with IAS34 *Interim Financial Reporting* as adopted by the EU. The accounting policies are the same as those given in the annual report and accounts for the period ended 31 December 2013.

The financial information included in these interim results is prepared in accordance with International Financial Reporting Standards (IFRSs) and in accordance with IFRSs adopted by the European Union.

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

2. Principal risks and uncertainties

We have an enterprise-wide risk framework in place, which sits alongside the strategic business plan and is designed to support the identification, assessment, management and control of material risks that threaten the achievement of our business objectives. Risks are categorised as: strategic risk, conduct risk, operational risk and financial risk.

Risk	Definition	Effect on the Group	Approach
Strategic risk . .	Risk to earnings arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment	**Economic risk**—The Group's growth strategy is based on the future purchase of, and collection from, distressed loan portfolios. Changes in economic conditions could impact the ability to collect from portfolios, or the amount of debt portfolios that are sold	Management ensure that all portfolios are purchased at an appropriate price and we also build strong relationships with our creditor client base in order to mitigate such risks
		The Group is exposed to Eurozone economic uncertainty through its Portuguese debt portfolios	Currency liquidity management and scenario planning is in place
		Reputational risk— Negative attention and news regarding the debt collection industry and individual debt collectors may have a negative impact on ability to acquire portfolios and a customer's willingness to pay the debt that the Group acquires	We manage this risk through oversight of our third party servicer network to ensure industry best practice collection approaches and adherence to regulation

2. Principal risks and uncertainties (continued)

Risk	Definition	Effect on the Group	Approach
Conduct risk . .	Risk of inappropriate strategy, systems, behavior, or processes leads to poor and/or unfair customer outcomes or customer detriment	Any action which leads to poor and/or unfair customer outcomes or customer detriment goes against our core values and could also lead to regulatory censure, financial loss and reputational/brand damage	Conduct risk and treating customers fairly (''TCF'') are at the heart of our third party management framework. All employees and third parties acting on our behalf receive TCF training. Due diligence takes place at outset of relationship with new third party servicers and ongoing thereafter
	Regulatory risk—risk of failing to comply with the legal and regulatory requirements applying to business arrangements and activities, for example data protection regulation	Failure to comply with relevant regulation could result in the suspension or termination of our ability to conduct business and could lead to regulatory censure and financial loss	We employ industry specialists to monitor the latest regulations and update our internal policies accordingly. Where required we take external specialist advice. We also engage in regular training and assurance activity to ensure compliance with internal policies
Operational risk	Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events	We are reliant on a panel of third party partners to manage customer accounts and collect outstanding debts. Should third party debt servicers experience sustained business interruption or are subject to take-over by an unfriendly competitor firm we could suffer financial loss We are also reliant on IT systems for data management and analysis	We have an overarching third party management framework focused on compliance, performance, resilience and customer outcomes. All new third party panel members are both rigorously checked to ensure they conform to our compliance and quality standards, and monitored on a regular basis. Our third party panel is diversified to ensure that we do not become reliant on one third party debt servicer IT systems are regularly backed up and are managed through a tight set of quality and security policies, supported by a disaster recovery plan
	Legal risk—risk of documentation deficiencies within purchased portfolios that are unable to be mitigated through legal contract and /or warranties	Exposure to remediation cost and further cased pursued by claims management companies	Due diligence on prospective investment purchases to identify potential documentation weaknesses. Legal team involvement in all purchases and external legal advice taken where required

2. Principal risks and uncertainties (continued)

Risk	Definition	Effect on the Group	Approach
Financial risk	Market risk—the risk of losses in portfolios due to changes in foreign-exchange rates and the level of interest rates Liquidity risk—the risk that the Group is unable to meet its obligations as they fall due Credit Risk—risk to earnings or capital arising when a counter-party defaults on its contractual obligations, including failure to perform obligations in a timely manner Tax risk—tax compliance risks arise from the complex nature of tax legislation and practice	The Group's financial risk management strategy is based upon sound economic objectives and corporate practices. The main financial risks concern the availability of funds to meet obligations as they fall due (liquidity risk) and movements in foreign exchange rates (foreign exchange risk)	Liquidity risk is managed through maintenance of a flexible cost base and establishment of borrowing facilities. We are highly cash generative and portfolio investment is discretionary Foreign exchange risk is managed on a Group level through the use of forward contracts and daily monitoring of currency fluctuations Management mitigate interest rate risk using swap contracts The Group engages tax specialists to advise the Group regarding its tax compliance obligations and the application of tax legislation and practice to the transactions and activities undertaken by the Group The risk of counter-party default is managed through due diligence and ongoing monitoring of financial standing. The Group's risk management policies on foreign exchange, interest rates, credit risk and market risk
	Investment risk—the risk of returns adverse to forecast as a result of inadequate portfolio purchase analysis and consequent mispricing	The statistical models and analytics used, including the calculation of ERC, may prove to be inaccurate, which could lead to poor decision making and the Group may fail to achieve its anticipated recoveries	Rigorous change controls are in place prior to any new data influencing our decision making model, and due diligence and executive review is carried out prior to investment. Portfolio performance is monitored by senior management

Notes (continued)

3. Finance income

	Period Ended 30 June 2014 £000	Period Ended 30 June 2013 £000
Finance income		
Bank interest	51	—
Loan note interest	251	—
	302	**—**

4. Finance costs

	Period Ended 30 June 2014 £000	Period Ended 30 June 2013 £000
Interest on minority interest loans	—	(30)
Interest and similar charges on bank loans	(957)	(5,351)
Interest on senior secured notes	(9,131)	(7,383)
Other interest	(151)	(19)
Shareholder interest expense	—	(1,291)
Interest on intercompany loans	(2,044)	—
Total interest costs	**(12,283)**	**(14,074)**
Fair value gains/(losses) on interest rate swaps	(125)	533
Total finance costs including non-recurring items	**(12,408)**	**(13,541)**
Non-recurring finance costs	143	3,916
Underlying finance costs	**(12,265)**	**(9,625)**

5. Dividend

The maiden interim dividend of 1.7 pence per share declared today is the Arrow Global Group PLC's first dividend since the IPO. The Arrow Global Group PLC board will continue 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 ⅓ to ⅔ as previously anticipated, in the future, the interim dividend (from H1 2015 onwards) will 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.

The maiden interim dividend of 1.7p per share (2013: nil) is payable on 9 October 2014 to shareholders who are on the register as at 12 September 2014. The maiden dividend, which amounts to £2,965,000 (30 June 2013: £nil), has not been recognised as a liability in these interim financial statements.

6. Tax

The applicable corporation tax rate for the period to 30 June 2014 was 21.5% (30 June 2013: 23.25%). The Group's effective consolidated tax rate for the six months ended 30 June 2014 was 22.9% (30 June 2013: 33.3%). The effective tax rate in the period to 30 June 2013 was unusually high due to non deductible non recurring expenses and overseas tax differences no longer applicable this year. The current period effective rate tax is reflective of the applicable corporate tax rate for the year and reconciling items.

Non-recurring tax

We have identified non-recurring items in the period to 30 June 2014 amounting to £3,573,000 (30 June 2013: £7,230,000) of which £444,000 is not deductible for tax purposes.

7. Non-recurring items

	Period Ended 30 June 2014 £000	Period Ended 30 June 2013 £000
Other operating expenses	3,430	3,314
Financial income and costs	143	3,916
Total non-recurring items	**3,573**	**7,230**

Non-recurring items are items that, by virtue of their size and incidence, are not considered to be representative of the underlying performance of the Group.

Non-recurring items amounted to £3.6 million, mainly due to a provision for resolution of a historical tax issue of £2.4 million and share option charges in relation to the IPO of £0.9 million.

In the period ended 30 June 2013, the non-recurring items included in other operating expenses represented goodwill impaired in connection with the acquisition of Arrow Global Accounts Management Limited and costs associated with the senior secured notes issuance and restructuring costs.

8. Financial assets

	30 June 2014 £000	31 December 2013 £000	30 June 2013 £000
Non Current:			
Purchased loan portfolios	279,704	208,042	199,362
Portfolio write up	—	3,745	3,670
	279,704	**211,787**	**203,032**
Loan notes	1,781	1,668	**1,798**
	281,485	**213,455**	**204,830**
Current:			
Purchased loan portfolios	73,062	61,047	58,332
Portfolio write up	—	1,098	1,076
	73,062	**62,145**	**59,408**
Total	**354,547**	**275,600**	**264,238**

Purchased loan portfolios

The Group recognises income from purchased loan portfolios in accordance with IAS 39. At 30 June 2014, the carrying amount of the purchased loan portfolio asset was £352,766,000 (31 December 2013: £273,932,000).

Notes (continued)

8. Financial assets (continued)

The movements in purchased loan portfolio assets were as follows:

	Period Ended 30 June 2014 £000	Year Ended 31 December 2013 £000	Period Ended 30 June 2013 £000
As at the period brought forward	273,932	208,171	208,171
Portfolios acquired during the period*	101,139	84,308	50,702
Portfolios acquired through acquisition of a subsidiary	—	18,301	18,301
Collections in the period	(69,265)	(127,840)	(62,509)
Income from purchased loan portfolios	49,925	87,330	42,719
Exchange gain/(loss) on purchased loan portfolios	(1,878)	161	749
Disposal of purchased loan portfolios	(1,087)	(1,342)	(440)
Portfolio write up	—	4,843	4,746
As at the period end	**352,766**	**273,932**	**262,440**

* inclusive of capitalised portfolio expenditure of £1,802,000 (31 December 2013: £1,759,000)

9. Trade and other payables

	30 June 2014 £000	31 December 2013 £000	30 June 2013 £000
Trade payables	5,529	4,375	4,623
Deferred consideration	12,413	—	—
Due from related parties	49,752	48,215	—
Taxation and social security	139	—	120
Other liabilities and accruals	3,783	5,233	6,696
	71,616	**57,823**	**11,439**

The directors consider that the carrying amounts approximate to their fair value on the basis that the balances are short term in nature.

10. Related party transactions

The Company is the ultimate parent entity of the Group. Intercompany transactions with wholly owned subsidiaries have been excluded from this note, as per the exemption offered in IAS 24. Related party balances as at each year end were as follows:

As at 30 June 2014:	Arrow Global PLC £000	Key management personnel £000	Total £000
Inter company payables	49,752	—	49,752
	49,752	**—**	**49,752**
As at 31 December 2013:	**£000**	**£000**	**£000**
Trade	—	2	2
Inter company payables	48,215	—	48,215
	48,215	**2**	**48,217**

Summary of transactions

During the year GKV Limited, owned by director Gillian Key-Vice charged the Group £1,546 in relation to consultancy services provided on Group projects.

10. Related party transactions (continued)

On 27 August 2014 the Group converted £41,680,000 held as intercompany to subordinated shareholder funding.

11. Borrowings

	30 June 2014 £000	31 December 2013 £000	30 June 2013 £000
Secured borrowing at amortised cost			
Senior secured notes (net of transaction fees of £7,412,597, December 2013: £8,080,000)	212,587	211,920	211,184
Revolving credit facility (net of transaction fees of £nil)	26,946	—	—
Senior secured notes interest	5,704	5,775	7,383
	245,237	**217,695**	**218,567**
Total borrowings			
Amount due for settlement within 12 months	**32,650**	**5,775**	**7,383**
Amount due for settlement after 12 months	**212,587**	**211,920**	**211,184**

Senior secured notes

On 29 January 2013, the Group issued £220 million of 7.875% senior secured notes due 2020 (the ''senior secured notes''). Net proceeds of £211.2 million included issuance costs that were capitalised within the financial instrument. The proceeds from this issuance were used to repay the bank loans, shareholder loans, and the non-controlling interest loan in full resulting in recognition of a £3,036,000 amortisation of previously capitalised transaction costs. In addition, there was a cancellation fee of £880,000 for early settlement of the revolving credit facility in place at that time.

The senior secured 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 senior secured 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 notes are secured by substantially all of the assets of the Group. Interest is paid bi-annually.

Revolving credit facility

On 29 January 2013, the Group entered into a revolving credit facility (the ''revolving credit facility'') with The Royal Bank of Scotland plc (''RBS''), as security agent for a consortium of participating financial institutions. The revolving credit facility terminates on 28 January 2018 and bears interest at a rate per annum equal to LIBOR or EURIBOR (as applicable) plus certain mandatory costs and a margin of 4.25% per annum, subject to a margin ratchet based on the loan-to-value (''LTV'') ratio at each quarter end. The new revolving credit facility, was increased to £55 million on 22 October 2013. During the period the revolving credit facility was drawn down by £26,946,000 and this remains the position at the 30 June 2014.

The Group is also required to pay a commitment fee on available but not utilised or not cancelled commitments under the new revolving credit facility at a rate of 40% of the applicable margin per annum on the undrawn portion of each lender's commitment. The new revolving credit facility is secured by the same assets as the senior secured notes. Interest is paid based on agreement when the facility is drawn down, payable every one, three or six months.

12. Segmental reporting

The Group represents a single reportable segment. Collections information is available for the UK and Portuguese operations. Such information does not constitute sufficient information upon which to base resource allocation decisions. This is the only information analysed between the UK and Portugal

12. Segmental reporting (continued)

received on a regular basis by the chief operating decision maker (''CODM'') and consequently one segment was identified. The CODM is considered to be the board of directors collectively.

	30 June 2014 £000	30 June 2013 £000
Total revenue	**51,608**	**48,311**
Adjusted EBITDA	48,536	43,436
Portfolio amortisation	(19,340)	(19,790)
Portfolio write up	—	4,746
Depreciation and amortisation	(391)	(365)
Foreign exchange gains/(losses)	(780)	295
Amortisation of acquisition and bank facility fees	(139)	(232)
Share based payments	(250)	—
Exceptional items	(3,430)	(3,314)
Operating profit	**24,206**	**24,776**
Interest income	302	—
Interest costs	(12,283)	(14,074)
Fair value gains/(losses) on interest rate swaps	(125)	533
Profit before tax	**12,100**	**11,235**
Taxation	(2,776)	(3,746)
Profit for the year attributable to equity shareholders	**9,324**	**7,489**

	30 June 2014 £000	31 December 2013 £000
Purchased loan portfolios	**352,766**	**273,932**
Balance sheet		
Total segment assets	389,338	338,421
Total segment liabilities	(316,853)	(275,518)
Segment net assets	**72,485**	**62,903**
Unallocated assets which is represented by deferred tax balances	16	12
Unallocated liabilities which is represented by deferred and current tax balances	(5,695)	(5,321)
Consolidated net assets	**66,806**	**57,594**

13. Financial instruments

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.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement 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.

13. Financial instruments (continued)

- 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 PCB output. The purchased loan portfolios fair value is calculated using discounted net 84-month forecast cash flows. 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. Assets and liabilities measured at fair value on a non-recurring basis include goodwill, property, plant and equipment, and other intangible assets. Such assets are reviewed for impairment indicators. If a triggering event has occurred, the assets are re-measured when the estimated fair value of the corresponding asset or asset group is less than the carrying value. The fair value measurements, in such instances, are based on significant unobservable inputs (Level 3). There were no significant impairments recorded during the period ended 30 June 2014.

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 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets				
30 June 2014:				
Derivative assets	—	402	—	402
Total assets	**—**	**402**	**—**	**402**
31 December 2013:				
Derivative assets	—	507	—	507
Total assets	**—**	**507**	**—**	**507**

13. Financial instruments (continued)

Of the above derivative contracts, the net fair value asset of £402,000 (December 2013: asset of £507,000) has been determined as a Level 2 measurement. There have been no transfers in or out of Level 2.

Financial instruments not measured at fair value—fair value hierarchy

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets				
30 June 2014:				
Purchased loan portfolios	—	—	352,766	352,766
Total assets	**—**	**—**	**352,766**	**352,766**
31 December 2013:				
Purchased loan portfolios	—	—	273,932	273,932
Total assets	**—**	**—**	**273,932**	**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 effective interest rate are established for each purchased portfolio over 12 months old and 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 the IRR, signs off the latest ERC forecast, 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 8.

14. Post balance sheet events

The IPO proceeds were loaned by Arrow Global Group PLC to a subsidiary of the Group and reflected in trade and other payables. On 27 August 2014 the Group converted £41,680,000 held as intercompany to subordinated shareholder funding.

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable Companies (Guernsey) Law, 2008, amended (the ''law'') and regulations.

The law requires the directors to prepare financial statements for each financial year. Under that law, the directors have chosen to prepare the Group financial statements in accordance with International Financial Reporting Standards (''IFRS'') and have also chosen to prepare the parent Company financial statements under IFRS. Under company law, the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the law. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Guernsey and the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

Each of the persons who is a director at the date of approval of the financial statements confirms that:

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(2) the director has taken all steps he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 249 of the law.

La Plaiderie House
La Plaiderie
St Peter Port
Guernsey
GY1 1WG

By order of the board

Mark Helyar
Director
Date: 27 August 2014

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF ARROW GLOBAL GUERNSEY HOLDINGS LIMITED

We have audited the consolidated financial statements of Arrow Global Guernsey Holdings Limited for the year ended 31 December 2013 which comprise the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's directors in accordance with our engagement letter dated 22 August 2014. Our audit work has been undertaken so that we might state to the company's directors those matters we are required to state to them in an independent auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our 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, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of its profit for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP
Chartered Accountants
Manchester, United Kingdom

27 August 2014

Consolidated statement of comprehensive income
For the year ended 31 December 2013

	Note	Year Ended 31 December 2013 Underlying £000	Exceptional items 2013 £000	Year Ended 31 December 2013 including exceptionals £000	Year Ended 31 December 2012 Underlying £000	Exceptional items 2012 £000	Year Ended 31 December 2012 including exceptionals £000
Continuing operations							
Revenue							
Income from purchased loan portfolios	14	87,330	—	87,330	62,261	—	62,261
Portfolio write up	6,14	4,843	—	4,843	1,241	—	1,241
Profit on portfolio and loan note sales		1,132	—	1,132	520	—	520
		93,305	—	93,305	64,022	—	64,022
Income from asset management		1,392	—	1,392	1,818	—	1,818
Total revenue		**94,697**	**—**	**94,697**	**65,840**	**—**	**65,840**
Operating expenses							
Collection activity costs		(27,994)	—	(27,994)	(19,645)	—	(19,645)
Professional fees and services	10	(1,721)	—	(1,721)	(3,162)	(1,386)	(4,548)
Other operating expenses	9	(12,157)	(8,421)	(20,578)	(9,817)	(493)	(10,310)
Total operating expenses		**(41,872)**	**(8,421)**	**(50,293)**	**(32,624)**	**(1,879)**	**(34,503)**
Operating profit		**52,825**	**(8,421)**	**44,404**	**33,216**	**(1,879)**	**31,337**
Finance income and costs	7	(20,314)	(3,916)	(24,230)	(19,189)	—	(19,189)
Profit before tax		**32,511**	**(12,337)**	**20,174**	**14,027**	**(1,879)**	**12,148**
Taxation charge on ordinary activities	11	(8,089)	2,426	(5,663)	(2,913)	177	(2,736)
Profit for the year attributable to equity shareholders		**24,422**	**(9,911)**	**14,511**	**11,114**	**(1,702)**	**9,412**
Other comprehensive income: Foreign exchange translation difference arising on revaluation of foreign operations (which may be reclassified subsequently to profit or loss)		1	—	1	133	—	133
Total comprehensive income for the year attributable to equity shareholder		**24,423**	**(9,911)**	**14,512**	**11,247**	**(1,702)**	**9,545**

Consolidated balance sheet
as at 31 December 2013

	Notes	31 December 2013 £000	31 December 2012 £000
Assets			
Non-current assets			
Intangible assets	12	3,444	3,723
Property, plant & equipment	13	259	252
Purchased loan portfolios	14	211,787	163,079
Loan notes	14	1,668	—
Deferred tax asset		12	9
Total non-current assets		**217,170**	**167,063**
Current assets			
Cash and cash equivalents		47,443	9,610
Other receivables	15	11,675	7,187
Purchased loan portfolios	14	62,145	45,092
Total current assets		**121,263**	**61,889**
Total purchased loan portfolios		273,932	208,171
Total assets		**338,433**	**228,952**
Equity			
Share capital	19	16	10
Share premium	19	30,523	3
Retained earnings		27,380	12,868
Translation reserve		(325)	(326)
Total equity attributable to shareholder		**57,594**	**12,555**
Liabilities			
Non-current liabilities			
Loans	25	—	206,585
Senior secured notes	25	211,920	—
Deferred tax liability	11, 17	2,646	—
Total non-current liabilities		**214,566**	**206,585**
Current liabilities			
Trade and other payables	16	60,498	9,812
Senior secured notes	25	5,775	—
Total current liabilities		**66,273**	**9,812**
Total liabilities		**280,839**	**216,397**
Total equity and liabilities		**338,433**	**228,952**

Approved by the board of directors on 27 August 2014, signed and authorised for issue on its behalf by:

Mark Helyar
Director
Guernsey Registered number: 49541

Consolidated statement of changes in equity for the year ended 31 December 2013

	Ordinary shares* £000	Share premium £000	Retained earnings £000	Translation reserve** £000	Total £000
Balance at 31 December 2011	**10**	**3**	**3,456**	**(459)**	**3,010**
Profit for the year	—	—	9,412	—	9,412
Exchange differences	—	—	—	133	133
Total comprehensive income for the year	—	—	9,412	133	9,545
Balance at 31 December 2012	**10**	**3**	**12,868**	**(326)**	**12,555**
Profit for the year	—	—	14,512	—	14,512
Exchange differences	—	—	—	1	1
Total comprehensive income for the year	—	—	14,512	1	14,513
Issue of shares	6	30,520			30,526
Balance at 31 December 2013	**16**	**30,523**	**27,380**	**(325)**	**57,594**

Consolidated Statement of Cash Flows for the year ended 31 December 2013

	Year Ended 31 December 2013 £000	Year Ended 31 December 2012 £000
Cash flows from operating activities		
Profit/(loss) before tax	20,174	12,148
Adjusted for:		
Collections in the year	127,840	88,720
Income from purchased loan portfolios	(87,330)	(62,261)
Portfolio write up	(4,843)	(1,241)
Proceeds from disposal of purchased loan portfolios	2,474	1,137
Profit on disposal of purchased loan portfolios	(1,132)	(520)
Amortisation of legal acquisition fees on portfolios and financing costs	4,554	230
Depreciation and amortisation	752	835
Goodwill impairment (exceptional non cash item)	2,309	—
Increase in rolled up interest on shareholders' loans	1,291	14,882
Increase in rolled up interest on non-controlling interest loans	30	349
Increase in interest on secured loan notes	15,978	—
Foreign exchange (gains)/losses	(23)	348
(Gain)/ loss on fair values on derivatives	(815)	424
Equity settled share-based payment expenses	4,361	—
Cash from secured loan notes from third party	100	—
Operating cash flows before movement in working capital	**85,720**	**55,051**
(Increase)/decrease in other receivables	(4,675)	(1,602)
(Increase)/decrease in trade and other payables	2,536	31
Payment of deferred consideration	—	(1,065)
Cash generated by/ (used in) operations	**83,581**	**52,415**
Income taxes and overseas taxation paid	(4,269)	(3,173)
Net cash flow from operating activities before purchases of loan portfolios and loan notes	**79,312**	**49,242**
Purchases of purchased loan portfolios	(84,308)	(84,431)
Purchases of loan notes	(1,798)	—
Net cash used in operating activities	**(6,794)**	**(35,189)**
Investing activities		
Purchase of property, plant and equipment	(143)	(40)
Purchase of intangible assets	(341)	(679)
Repurchase of own shares	(1,430)	—
Sale of own shares	2,369	—
Acquisition of subsidiary, net of cash acquired	(17,826)	—
Net cash (used in)/ generated by investing activities	**(17,371)**	**(719)**
Financing activities		
Proceeds of intercompany loan	41,680	—
Proceeds from additional loans	6,884	92,921
Proceeds from senior notes (net of fees)	210,626	—
Repayment of interest on senior notes	(10,202)	—
Repayment of bank loan	(106,859)	(53,814)
Repayment of shareholders' loans	(77,350)	—
Repayment of non-controlling interest loans	(2,650)	—
Net cash flow generated by financing activities	**62,129**	**39,107**
Net increase/(decrease) in cash and cash equivalents	**37,964**	**3,199**
Cash and cash equivalents at beginning of year	**9,610**	**6,440**
Effect of exchange rates on cash and cash equivalents	(131)	(29)
Cash and cash equivalents at end of year	**47,443**	**9,610**

Notes to the financial statements

1. General information

Arrow Global Guernsey Holdings Limited is a company incorporated in Guernsey. The address of the registered office is La Plaiderie House, La Plaiderie, St Peter Port, Guernsey, GY1 1WG. The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. The company's subsidiaries are listed in note 22.

Arrow Global Guernsey Holdings Limited was the ultimate parent company of the Group until 7 October 2013, when the Group restructured ready for the listing on the London Stock Exchange of the new ultimate parent company, Arrow Global Group PLC, on 11 October 2013 as part of an initial public offering (''IPO'').

Through its subsidiary companies, the Company acquires certain pools of semi-performing and/or charged-off consumer loans pursuant to the terms of each specific purchase agreement. The Company enters into contractual servicing agreements with other third parties to collect the receivables, to administer and disburse the proceeds of the receivables.

The Company's financial statements for the year ended 31 December 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU. The accounting policies have been applied consistently in the current and prior periods.

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 2013.

IFRS 7 (amendment) 'Disclosures—Offsetting Financial Assets and Financial Liabilities' amended the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendment does not have a significant impact on profit or loss, financial position, or cash flows.

IFRS 13 'Fair Value Measurements' defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price), sets out a single IFRS framework for measuring fair value, and requires disclosures about fair value measurements. The Group's financial statements include appropriate disclosure. The quantitative impact is not material.

IAS 19 (revised) 'Employee Benefits' revises several areas of IAS 19 to improve the transparency of financial reporting for employee benefits, particularly in respect of defined benefit schemes. The changes have no impact on the financial statements.

Improvements 2011 'Annual Improvements to IFRS: 2009-2011 Cycle' sets out amendments to IFRSs and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. The amendments did not impact the financial statements.

The following standards, interpretations and amendments to existing standards are not yet effective and have not been early adopted by the Group:

IFRS 9 'Financial Instruments' is the first step in the process to replace IAS 39, 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. This IFRS is to be applied by the Group when it has EU endorsement. The Group is in the process of assessing the potential impact of this Standard on its consolidated financial statements but it is not expected to have a material impact on the financial statements.

IAS 32 (amendment) 'Offsetting Financial Assets and Financial Liabilities' added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. These amendments are to be applied for annual periods beginning on or after 1 January 2014.

2. Adoption of new and revised standards (continued)

IFRS 15 'Revenue from contracts with customers' establishes a comprehensive framework for determining when to recognise revenue and by how much revenue to recognise. The Group are in the process of evaluating the potential impact on the financial statements.

The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 was issued in May 2014 and applies to annual reporting periods beginning on or after 1 January 2017.

The following standards are not expected to have a material impact on the Group's financial statements:

- IFRS 10 'Consolidated Financial Statements'
- 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'

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.

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 Arrow Global Guernsey Holdings Limited and entities controlled by the Company (its subsidiaries) made up to 31 December 2013 and comparative period. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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.

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 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, 'Non Current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. 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.

3. Significant accounting policies (continued)

Goodwill

Goodwill represents the excess of the total consideration transferred for an acquired entity and the Group's interest in the fair value of the identifiable assets acquired and liabilities assumed of that entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (''CGU'') expected to benefit from the synergies of the combination. CGU to which goodwill has been allocated are tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired by comparing the carrying amount of the CGU, including goodwill, with the recoverable amount of the CGU.

The Group calculates the recoverable amount of this CGU by determining the higher of fair value less cost to sell and its value in use. The key assumptions for the value in use calculation are those regarding the forecast cash flows during the forecast period and the long-term growth rate in revenue utilised to value the cash flows into perpetuity.

If the recoverable amount of the CGU 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 pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a CGU to which goodwill has been allocated, the goodwill associated with that operation is included in the carrying amount of the operation when determining the profit or loss on disposal.

Revenue recognition

Purchased loan portfolios are financial instruments that are accounted for under IAS 39 and are measured at amortised cost using the effective interest method. The effective interest 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 allocated interest income is recorded as income from purchased loan portfolios in the 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. The EIR is determined as at the time of purchase of the loan portfolio 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 income from purchased loan portfolios. When an individual portfolio's carrying value is completely recovered, we recognise any subsequent collections as revenue as it is received.

Upward revaluations ('uplifts') are recognised as revenue. Subsequent reversals of such uplifts are recorded in the revenue line. If such reversals exceed cumulative revenue recognised to date, a provision for impairment is recognised which is reflected as a separate income statement line item.

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.

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. The right to receive such revenue is measured in reference to services rendered based on the stage of completion, regardless of milestone payments received.

3. Significant accounting policies (continued)

Impairment of purchased loan portfolios

The portfolios are reviewed for any possible indications of impairment at the balance sheet date in accordance with IAS 39. Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio. If the forecast portfolio collections exceed initial estimates, a portfolio basis adjustment is recorded as an increase to the carrying value of the portfolio and is included in income from purchased loan portfolios. Where portfolios have been newly acquired, the Company identifies 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 subsequent to the acquisition date of the portfolio. If the forecast portfolio collections are lower than previous forecasts, the cumulative revenue recognised is considered as described in the revenue recognition accounting policy.

Exceptional items

Exceptional items are those which are separately identified by virtue of their size and incidence to allow a full understanding of the underlying performance of the Group.

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 14). 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 currencies

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.

3. Significant accounting policies (continued)

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 income statement 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 income statement, 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 income statement, 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 payments transactions

Share based payments transactions in which the Arrow Global Group PLC 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 where 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

3. Significant accounting policies (continued)

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'.

Property, plant and equipment and other intangibles

Fixtures and equipment 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 (other than freehold land and properties under construction) 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

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 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 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 effective interest method less any impairment.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and in conjunction with the application of IFRS. The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or they expire.

Financial liabilities are held at amortised cost using the effective interest 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.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

3. Significant accounting policies (continued)

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

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 23.

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 2013, the Group had an available £55 million overdraft facility, which was undrawn. The Group also had £47.4 million cash balance as at 31 December 2013. 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 2013 was 0% and the LTV ratio 31.6%. Both covenants were comfortably met throughout the year to 31 December 2013. 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 period from incorporation to 31 December 2013 of £36,064,000. With net current assets of £26,709,000, 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.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

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 judgements in applying accounting policies

The following are the critical judgements that the directors have 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) Revenue recognition

Purchased loan portfolios are financial instruments that are accounted for under IAS 39 and are measured at amortised cost using the effective interest method. The effective interest 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 allocated interest income is recorded as income from purchased loan portfolios in the 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. The EIR is determined as at the time of purchase of the loan portfolio 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 income from purchased loan portfolios. When an individual portfolio's carrying value is completely recovered, we recognise any subsequent collections as revenue as it is received. The estimation of cash flow forecasts is a key estimation uncertainty fundamental within this critical accounting policy. Further explanation is given in c) below.

Upward revaluations ('uplifts') are recognised as revenue. Subsequent reversals of such uplifts are recorded in the revenue line. If such reversals exceed cumulative revenue recognised to date, a provision for impairment is recognised which is reflected as a separate income statement line item.

b) Impairment of purchased loan portfolios

The portfolios are reviewed for any possible indications of impairment at the balance sheet date in accordance with IAS 39. Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio. If the forecast portfolio collections exceed initial estimates, a portfolio basis adjustment is recorded as an increase to the carrying value of the portfolio and is included in income from purchased loan portfolios. Where portfolios have been newly acquired, the Company identifies 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 subsequent to the acquisition date of the portfolio.

If the forecast portfolio collections are lower than previous forecasts, the cumulative revenue recognised is considered as described in the revenue recognition accounting policy. The estimation of cash flow forecasts is a key estimation uncertainty fundamental within this critical accounting policy. Further explanation is given in c) below.

c) Estimation of cash flow forecasts

Estimates of cash flows that determine the EIR are established for each purchased portfolio over 12 months old and 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. Revaluations of portfolios are based on the rolling 84-month ERC at the revaluation date. This ERC is updated quarterly using a proprietary model. ERC represents an estimate of the undiscounted cash value of our purchased loan portfolios at a point in time.

5. Segmental reporting

The Group represents a single reportable segment. The majority of its operations derive revenue from the UK. Collections information is available for the UK and Portugal operations. Such information does not constitute sufficient information upon which to base resource allocation decisions. This is the only information analysed between the UK and Portugal received on a regular basis by the chief operating decision maker (''CODM'') and consequently one segment was identified. The CODM is considered to be the board of directors collectively.

	Year Ended 31 December 2013 £000	Year Ended 31 December 2012 £000
Total revenue	**94,697**	**65,840**
Adjusted earnings before interest, tax, depreciation and amortisation (''Adjusted EBITDA'')	89,606	61,940
Portfolio amortisation	(40,510)	(26,459)
Portfolio write up	4,843	1,241
Depreciation and amortisation	(752)	(835)
Foreign exchange gains/(losses)	23	(348)
Amortisation of acquisition and bank facility fees	(359)	(2,323)
Exceptional items	(8,421)	(1,879)
Operating profit	**44,430**	**31,337**
Interest income and costs	(20,570)	(18,738)
Fair value gains/(losses) on interest rate swaps	894	(451)
Amortisation of financing costs	(4,554)	—
Profit before tax	**20,200**	**12,148**
Taxation	(5,663)	(2,736)
Profit for the year attributable to equity shareholders	**14,537**	**9,412**

	Year Ended 31 December 2013 £000	Year Ended 31 December 2012 £000
Purchased loan portfolios	273,932	208,171
Balance Sheet		
Total segment assets	338,421	228,943
Total segment liabilities	(275,518)	(214,764)
Segment net assets	**62,903**	**14,179**
Unallocated assets which is represented by deferred tax balances	12	9
Unallocated liabilities which is represented by deferred and current tax balances	(5,321)	(1,633)
Consolidated net assets	**57,594**	**12,555**

Additions to non-current assets are disclosed in notes 12, 13 and 14.

6. Profit for the year

Profit for the year has been arrived at after crediting/(charging):

	Year Ended 31 December 2013 £000	Year Ended 31 December 2012 £000
Net foreign exchange gains/(losses)	23	(348)
Operating leases—properties	(249)	(180)
Portfolio write up (note 14)	4,843	1,241
Depreciation and amortisation (note 12 and 13)	(752)	(835)
Goodwill impairment (note 12)	(2,309)	—

7. Finance income and Costs

	Year Ended 31 December 2013 £000	Year Ended 31 December 2012 £000
Finance income		
Bank interest	**57**	**—**
Finance costs		
Interest on minority interest loans	(30)	(349)
Interest and similar charges on bank loans	(1,970)	(3,507)
Interest on senior secured notes	(15,978)	—
Intercompany interest	(1,012)	—
Other interest	(346)	—
Shareholder interest expense (note 21)	(1,291)	(14,882)
Total interest costs	**(20,627)**	**(18,738)**
Fair value gains/(losses) on interest rate swaps	894	(451)
Amortisation of financing costs	(4,554)	—
Total finance costs including exceptional items	**(24,287)**	**(19,189)**
Total finance income and costs including exceptional items	**(24,230)**	**(19,189)**
Exceptional finance costs	3,916	—
Total finance income and costs	**(20,314)**	**(19,189)**

During the year the Group has issued £220 million of 7.875% senior secured notes. See note 25 for further information. The proceeds were used to settle existing loans and facilities and accordingly accelerated amortisation and settlement fees were incurred, which are reported as exceptional finance costs above.

8. Auditor's remuneration

The analysis of auditor remuneration is as follows:

	Year Ended 31 December 2013 £000	Year Ended 31 December 2012 £000
Fees payable for audit services—Company	132	25
Fees payable for audit services for subsidiaries	109	89
Total fees payable for audit services	**241**	**114**
Fees payable for tax compliance	96	53
Fees payable for tax advisory services	682	238
Fees payable for other assurance services	704	196
Fees payable for corporate finance services	730	200
Total fees payable for non-audit services	**2,212**	**687**
Total fees payable	**2,453**	**801**

9. Staff costs and other operating expenses

a) Other operating expenses

	Year Ended 31 December 2013 £000	Year Ended 31 December 2012 £000
Staff costs (9. b)	14,118	6,102
Other staff related costs	1,140	967
Premises	574	529
IT	913	677
Depreciation and amortisation	752	835
Net foreign exchange (gains)/losses	(23)	348
Goodwill impairment	2,309	—
Other operating expenses	795	852
Total other operating expenses including exceptional items	**20,578**	**10,310**
Exceptional items:		
Goodwill impairment (note 12)	(2,309)	—
Staff costs	(6,112)	(323)
Other	—	(170)
Total exceptional items	(8,421)	(493)
Total other operating expenses excluding exceptional items	**12,157**	**9,817**

Exceptional items include items that, by virtue of their size and incidence, are not considered to be representative of the on-going performance of the Group.

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 (see note 27). The remaining exceptional items in the year were exceptional restructuring costs associated with the senior secured notes issuance of £1,005,000 and IPO related staff and other costs of £5,107,000, the main item being £4,361,000 of share option charges. In the year to 31 December 2012, the exceptional items represented costs associated with the senior secured notes issuance and restructuring costs

9. Staff costs and other operating expenses (continued)

b) Staff costs

	Year Ended 31 December 2013 £000	Year Ended 31 December 2012 £000
Wages, bonuses and salaries	13,019	5,179
Payments for termination of employment of key management	—	158
Payments for termination of employment of employees	—	7
Pension costs	227	157
Social security costs	872	601
	14,118	**6,102**

The total directors' personnel remuneration (including non-executive directors) during the year was £3,876,000, including £2,126,000 of exceptional costs (2012: £1,185,000) and included £31,000 in relation to pension costs (2012: £39,000).

The remuneration of the highest paid director during the year was £2,171,000 (2012: £395,000) including pension costs of £11,000 (2012: £15,000).

At 31 December 2013, there was an accrual in respect of pension costs of £nil (2012: £22,000).

The average monthly number of employees (including executive directors) are analysed below:

	Year Ended 31 December 2013	Year Ended 31 December 2012
Data and Systems	44	31
Collections	50	46
Management	7	6
Finance	8	7
	109	**90**

10. Professional fees and services

	Group Year Ended 31 December 2013 £000	Group Year Ended 31 December 2012 £000
Professional fees and services	1,721	4,548
Exceptional items:		
Project and legal-related expenses	—	(1,386)
Professional fees and services excluding exceptional items	**1,721**	**3,162**

Exceptional project and legal-related expenses relate to corporate restructuring and transaction advisory fees.

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 2013 is higher than the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%), the differences are as follows:

	Year Ended 31 December 2013 £000	Year Ended 31 December 2012 £000
Profit before tax	20,200	12,148
Tax charge at standard UK corporation tax rate	4,697	2,976
Adjustment in respect of prior years	33	81
Expenses not deductible for tax purposes	887	35
Rate differences on share based payments	(15)	—
Differences in tax rates	(410)	—
Rate differences on hedging arrangements	85	—
Other	—	6
Differing overseas tax rates	—	(362)
Unrecognised deferred tax	386	—
Tax charge	**5,663**	**2,736**
Effective tax rate relating to continuing operations	**28.0%**	**22.5%**
Standard UK corporation rate for the year	**23.25%**	**24.5%**
Effective tax rate higher/lower than standard UK corporation rate for the year	**Higher**	**Lower**

	Year Ended 31 December 2013 £000	Year Ended 31 December 2012 £000
Tax charge for the year consists of:		
Current tax charge:		
UK and foreign corporation tax based on profit for the year	5,252	2,426
Adjustment in respect of prior years	78	181
Total current tax charge	**5,330**	**2,607**
Deferred tax charge/(credit):		
Origination and reversal of temporary differences	788	229
Adjustment in respect of prior years	(45)	(100)
Differences in tax rates	(410)	—
Total tax charge	**5,663**	**2,736**

Deferred tax

The Group has been involved in on-going discussions with HMRC with respect to the VAT implications of the business activities performed in Guernsey prior to January 2013, when the Group was restructured. To date these discussions have related exclusively to requests for and provision of factual information. HMRC have not yet confirmed to the Group whether they agree that Arrow Global Guernsey Limited's business activities were such that it did not have a fixed place of business in the UK. Accordingly, no provision has been made in these financial statements in respect of this matter. HMRC have indicated that they expect to be able to confirm their position in the near future.

The Group has not recognised a deferred tax asset in respect of £249,000 (2012: £249,000) of tax losses carried forward. These losses are 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 to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015.

11. Tax (continued)

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 revalued to the lower rate of 20% in these accounts.

A deferred tax liability of £2,309,000 was recognised on acquisition of Arrow Global Accounts Management Limited as described in note 27. The liability will unwind over the next ten years. Over the life of the portfolio asset, the Group considers the recognition of the deferred tax liability does not increase the level of tax payments expected to be made.

Exceptional tax

We have identified exceptional items in the year amounting to £12,337,000 (2012: £1,879,000). All exceptional items are taxable with the exception of the £2,309,000 goodwill impairment in the year.

12. Intangible assets

	Software licences £000	Goodwill £000	Total £000
Cost			
At 1 January 2013	2,632	1,968	4,600
Goodwill on acquisition of subsidiary	—	2,309	2,309
Removal of fully depreciated assets	(179)	—	(179)
Additions	340	—	340
At 31 December 2013	**2,793**	**4,277**	**7,070**
Amortisation and impairment			
At 1 January 2013	877	—	877
Goodwill Impairment	—	2,309	2,309
Removal of fully depreciated assets	(176)	—	(176)
Amortisation charge for the year	616	—	616
At 31 December 2013	**1,317**	**2,309**	**3,626**
Net book value			
At 31 December 2013	**1,476**	**1,968**	**3,444**
At 31 December 2012	1,755	1,968	3,723

On the 28 February 2013, the Group acquired Arrow Global Accounts Management Limited for cash consideration of £18,909,000 (see note 27). The consideration was allocated to the fair value of net assets, which primarily related to portfolio assets recognised at fair value. Following the restatement of the portfolio assets from UK GAAP to IFRS a deferred tax liability has been recognised reducing net assets by £2,309,000. The corresponding increase in goodwill was then subject to an impairment assessment and was immediately impaired, as the cash consideration was primarily supported by the portfolio assets, and did not support the increased level of goodwill. The fair value of the assets less costs to dispose was also considered to be insufficient to support the increased level of goodwill. Over the life of the portfolio asset, we consider the recognition of the deferred tax liability does not increase the level of tax payments expected to be made.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Except for the goodwill generated in relation to the acquisition in the year, the remaining goodwill is attributable to Arrow Global Receivables Management Limited which is considered to be the only CGU to which the remaining purchased goodwill relates. The recoverable amount of this CGU is determined from value in use calculations and no impairment has been identified. The key assumptions for the value in use calculations are those regarding the discount rate and forecast cash collections net of direct collection costs. Management estimates discount rates using pre-tax rates

12. Intangible assets (continued)

that reflect weighted average cost of capital of the CGU. The discount rate was revised in June 2013 in light of the economic environment and to risks specific to the CGU. The rate used to discount the forecast cash flows from this CGU is 20% (2012:15%). Had the 20% rate been applied consistently throughout the historical period, no impairment would have been identified.

The Group has conducted a sensitivity analysis on the impairment test of the CGU's carrying value. An increase in the discount rate of 1% would produce a £60,000 decrease in fair value.

The Group's cash flow forecasts are those used in the assessment of the portfolio valuation and have been approved by key management personnel. There is no concentration within any particular portfolio and at the beginning and end of the financial year the recoverable amount of the CGU was substantially in excess of its book value and therefore management deem it reasonable not to impair the carrying amount of goodwill.

13. Property, plant and equipment

Property, plant and equipment

	Leasehold Improvements £000	Computer equipment £000	Furniture £000	Total property, plant and equipment £000
Cost				
At 1 January 2013	346	323	163	832
Additions	—	19	124	143
At 31 December 2013	**346**	**342**	**287**	**975**
Accumulated depreciation				
At 1 January 2013	242	251	87	580
Charge for the year	50	45	41	136
At 31 December 2013	**292**	**296**	**128**	**716**
Carrying amount				
At 31 December 2013	**54**	**46**	**159**	**259**
At 31 December 2012	104	72	76	252

14. Financial assets

	Year Ended 31 December 2013 £000	Year Ended 31 December 2012 £000
Non current:		
Purchased loan portfolios	208,042	162,125
Portfolio write up	3,745	954
	211,787	**163,079**
Loan notes	1,668	—
	213,455	163,079
Current:		
Purchased loan portfolios	61,047	44,805
Portfolio write up	1,098	287
	62,145	**45,092**
Total	**275,600**	**208,171**

14. Financial assets (continued)

At 31 December 2013, the directors calculated the fair value of portfolios and loan notes under IFRS 13 to be £281,386,000, which is £7,454,000 higher than the carrying value. The directors applied a discount rate of 20% net of cash flows, which was calculated using a consistent methodology as at 31 December 2012.

The directors consider that there was no material difference between the carrying value and fair value of the assets for the comparative year.

Purchased loan portfolios

The Group recognises income from purchased loan portfolios in accordance with IAS 39. At 31 December 2013, the carrying amount of the purchased loan portfolio asset was £273,932,000 (2012: £208,171,000).

The movements in purchased loan portfolio assets were as follows:

	Year Ended 31 December 2013 £000	Year Ended 31 December 2012 £000
As at the year brought forward	208,171	150,005
Portfolios acquired during the year*	84,308	84,431
Portfolios acquired through acquisition of a subsidiary	18,301	—
Collections in the year	(127,840)	(88,720)
Income from purchased loan portfolios	87,330	62,261
Exchange gain/(loss) on purchased loan portfolios	161	(200)
Amortisation of legal acquisition fees on portfolios	—	(230)
Disposal of purchased loan portfolios	(1,342)	(617)
Portfolio write up	4,843	1,241
As at the year end	**273,932**	**208,171**

* inclusive of capitalised portfolio expenditure of £1,759,000 (2012: £453,000)

15. Other receivables and prepayments

	Year Ended 31 December 2013 £000	Year Ended 31 December 2012 £000
Prepayments	9,033	5,742
Due from subsidiary undertakings	—	—
Other receivables	2,090	1,219
Derivative asset (note 23)	507	143
Current tax asset	—	38
Deposits	45	45
	11,675	**7,187**

The directors consider that the carrying amounts approximate to their fair value as balances are readily converted to cash.

16. Trade and other payables

	Year Ended 31 December 2013 £000	Year Ended 31 December 2012 £000
Trade payables	4,375	3,146
Current tax liability	2,675	1,633
Derivative liability	—	451
Taxation and social security	—	69
Due from related parties	48,215	—
Other liabilities and accruals	5,233	4,513
	60,498	**9,812**

The directors consider that the carrying amounts approximate to their fair value on the basis that the balances are short term in nature.

17. Deferred tax liability

	Year Ended 31 December 2013 £000	Year Ended 31 December 2012 £000
Fair value adjustment on acquired debt portfolio within a subsidiary	1,841	—
Share schemes	598	—
Other	207	—
	2,646	**—**

A deferred tax liability of £2,309,000 was recognised on acquisition of Arrow Global Accounts Management Limited as described in note 27, with the liability being unwound over the next ten years. See note 11 for more information.

18. Shareholders' loans

Prior to 29 January 2013, the Group had a nominal amount of £66,625,000 of £1 loan stock accruing interest at 15% per annum in issue.

The loan stock and accrued interest were repayable at the earliest of the sale of the business or 31 December 2015.

The Group issued £220 million senior secured notes on 29 January 2013. At this date, there were shareholders' loan notes of £107.9 million, which included accrued and unpaid interest owing. As a result of issuing the senior secured notes, the shareholders' loan notes were settled through a cash repayment of £77.4 million, with the remaining £30.5 million being converted into equity in Arrow Global Guernsey Holdings Limited.

	Year Ended 31 December 2013 £000	Year Ended 31 December 2012 £000
Loan received from shareholders	—	66,625
Interest accruing at 15% per annum	—	39,960
	—	**106,585**

19. Share Capital

As at 31 December 2013 the share capital of the Company was unlimited. During the period from incorporation until 28 January 2013 the Company issued 10,252 Ordinary shares for a total

19. Share Capital (continued)

consideration of £16,616 giving rise to a share premium of £6,364, of which £2,937 was redeemed in 2011.

On 29 January 2013, the Company authorized an additional 6,427 ‘A’ Ordinary Shares of £1 each. During the year those were issued for a total consideration of £30,525,903, giving rise to a share premium of £30,519,476. The total share premium as at 31 December 2013 was £30,522,903. As part of the restructure in relation to the IPO, all shares where changed to one class of share.

	Year Ended 31 December 2013 £000	Year Ended 31 December 2012 £000
Called up and fully paid		
Ordinary Shares of £1 each	16,679	—
‘A’ Ordinary Shares of £1 each	—	9,002
‘B’ Ordinary Shares of £1 each	—	1,000
‘C’ Ordinary Shares of £1 each	—	200
‘D’ Ordinary Shares of £1 each	—	50
	16,679	**10,252**

20. 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:

	Year Ended 31 December 2013 £000	Year Ended 31 December 2012 £000
Less than 1 year	105	189
1 - 5 years	198	173
5+ years	655	—
	958	**362**

Operating lease payments represent rentals payable by the Group for certain of its office properties.

21. Related party transactions

Related party balances as at each year end were as follows:

As at 31 December 2013:	Arrow Global Group PLC £000	RB Investments 1 £000	Key management personnel £000	Other minority shareholders £000	Total £000
Trade	—	—	2	—	2
Intercompany payables	(48,215)	—	—	—	(48,215)
	(48,215)	**—**	**2**	**—**	**(48,213)**
As at 31 December 2012:	£000	£000	£000	£000	£000
Non-controlling interest loan	—	—	—	(2,619)	(2,619)
Shareholders’ loans	—	(106,585)	—	—	(106,585)
	—	**(106,585)**	**—**	**(2,619)**	**(109,204)**

Remuneration for directors and key management personnel have been disclosed in note 9 along with the P&L charges in the year and in the remuneration report. The P&L charges for other balances are disclosed in note 7.

21. Related party transactions (continued)

Summary of transactions

A loan for £11,000,000 was received by Arrow Global Guernsey Holdings Limited from RBS Asset Management Limited on 29 October 2012 and repaid on 2 November 2012. The loan was advanced to facilitate the acquisition of a portfolio while in the process of drawing under the existing revolving credit facility. Interest on the loan was repayable at 18%.

£1,388,027 in relation to a loan note instrument was repaid in full in January 2013 to Lewylang LP, a party related to Zachary Lewy.

All remaining balances on loans were repaid on 29 January 2013 as part of the refinancing and issuance of senior secured notes described in note 25. 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).

During the year GKV Limited, owned by non-executive director Gillian Key-Vice, charged the Group £5,061 in relation to consultancy services provided on Group projects.

On 27 August 2014 the Group converted £41,680,000 held as intercompany to subordinated shareholder funding.

22. Investments in subsidiary undertakings

Details of the Company's subsidiaries at 31 December 2013 are as follows:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest (%)	Current status	Parent Company
Arrow Global Investment (Holdings) Limited (AGI(H)L)	UK—England and Wales	100	Trading	AGGHL
Arrow Global (Holdings) Limited (AG(H)L)	UK—England and Wales	100	Trading	AGI(H)L
Arrow Global Finance plc	UK—England and Wales	100	Trading	AGI(H)L
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 Accounts Management Limited	UK—England and Wales	100	Trading	AGL
Arrow Global Guernsey Limited	Guernsey	100	Non-Trading	AGI(H)L
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

23. Financial Instruments

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, market risk and liquidity risk that arises throughout the normal course of the Group's business.

23. Financial Instruments (continued)

Fair values

The directors consider that there are no material differences between the financial asset values in the consolidated balance sheet and their fair value, except in relation to those disclosed in note 14. 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.

Assets and liabilities measured at fair value on a non-recurring basis include goodwill, property, plant and equipment, and other intangible assets. Such assets are reviewed for impairment indicators. If a triggering event has occurred, the assets are re-measured when the estimated fair value of the corresponding asset or asset group is less than the carrying value. The fair value measurements, in such instances, are based on significant unobservable inputs (Level 3). Key inputs into the impairment review process are outlined in note 12. There were no significant impairments recorded during the year ended 31 December 2013, except in relation to the goodwill outlined in note 12.

Credit risk

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 2013 £000	Year Ended 31 December 2012 £000
Purchased loan portfolio	273,932	208,171
Cash and cash equivalents	(47,443)	(9,610)
Loan notes	1,668	—
Derivative asset	507	143
	228,664	**198,704**

The Group's principal activity is the acquisition and management of underperforming portfolios of loans. All purchased portfolios are, by their nature, significantly past due and impaired upon acquisition. No additional collateral is held in respect of the portfolios. The Group performs impairment reviews periodically.

All purchased loan portfolios 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. 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.

Liquidity risk

The Group actively monitors its liquidity and cash flow position to ensure it has sufficient cash and purchased loan portfolio financing in order to fund its activities. The management team 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.

The table below includes both interest and principal cash flows, payable over the contractual life of the non-derivative financial liabilities.

23. Financial Instruments (continued)

As at 31 December 2013

Amounts due to:

	within 1 year £000	1 - 2 years £000	2 - 5 years £000	5 years and over £000	Total £000
Non-interest bearing					
Trade and other payables	9,608	—	—	—	9,608
Interest bearing					
Secured senior note	17,325	17,325	51,975	244,448	331,073
Total	**26,933**	**17,325**	**51,975**	**244,448**	**340,681**

As at 31 December 2012

Amounts due to:

	within 1 year £000	1 - 2 years £000	2 - 5 years £000	Total £000
Non-interest bearing				
Trade and other payables	7,728	—	—	7,728
Interest bearing				
Non-controlling interest loan	—	—	3,797	3,797
Bank loan	—	114,679	—	114,679
Shareholder loan note	—	—	167,143	167,143
Total	**7,728**	**114,679**	**170,940**	**293,347**

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 currency risk and interest rate risk considered further below.

Interest rate risk

The Group is exposed to interest rate risk during the year on the purchased loan portfolio financing, related party loans and cash and cash equivalents. The recoverability of debts may be influenced by movements in the interest rate environment. The Group has interest rate swaps in place for a notional amount of £66,667,000 (2012: £90,000,000).

Interest rate sensitivity analysis

If interest base rates had been 0.5% higher/lower and all other variables were held constant, the Group's profit and equity for the year ended 31 December 2013 would decrease/increase by £121,000 (2012: £53,000). This is attributable to the Group's exposure to interest on its cash and cash equivalents.

If LIBOR rates had been 0.25% higher/lower and all other variables were held constant, the Group's profit and equity for the year ended 31 December 2013 would decrease/increase by £1,000 (2012: £210,000). This is attributable to the Group's exposure to interest on its revolving credit facility and incorporates the effects of the economic hedge from the interest rate swaps outstanding during the periods noted above.

Foreign currency risk

The Group is exposed to foreign exchange currency risk on purchased loan portfolios, secured loan notes, cash and cash equivalents and its transactions with other related parties. The risk of this exposure is reduced using forward foreign exchange contracts.

23. Financial Instruments (continued)

Foreign currency sensitivity analysis

If foreign exchange rates had been 10% higher 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 2013 £000	Year Ended 31 December 2012 £000
Currency		
Euro (EUR)	(395)	(1,620)
US Dollar (USD)	2	—
Polish Zloty (PLN)	(7)	(64)
	(400)	**(1,684)**

Net Profit	Year Ended 31 December 2013 £000	Year Ended 31 December 2012 £000
Currency		
Euro (EUR)	(1,445)	(980)
US Dollar (USD)	(1)	(1)
Polish Zloty (PLN)	1	—
	(1,445)	**(981)**

If foreign exchange rates had been 10 per cent lower 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 2013 £000	Year Ended 31 December 2012 £000
Currency		
Euro (EUR)	483	1,980
US Dollar (USD)	(2)	—
Polish Zloty (PLN)	8	78
	489	**2,058**

Net Profit	Year Ended 31 December 2013 £000	Year Ended 31 December 2012 £000
Currency		
Euro (EUR)	1,766	1,197
US Dollar (USD)	1	1
Polish Zloty (PLN)	(2)	—
	1,765	**1,198**

10% is considered to be a reasonable expectation of possible fluctuations in rates.

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.

23. Financial Instruments (continued)

In the current year, the Group has created certain forward contracts to mitigate its portfolio future cash flows in Portugal. The collection remittances are received in Euros. The Group has entered into the forward foreign exchange contracts (for terms provided in the table below) to mitigate the exchange rate risk arising from these anticipated future cash flows.

As at 31 December 2013, the aggregate amount of net gain/loss under forward foreign exchange contracts that have been recognised within profit and loss in the consolidated statement of comprehensive income relating to the exposure on these anticipated future transactions is £79,000 loss (2012: £27,000 profit).

Outstanding contracts at December	Exchange rate	Notional value 2013 £000	Maturity date	Fair value 2013 £000
Exchange rate hedges				
Sell Euro				
Window Forward Extra	1.1899	1,681	13 Feb 2014	19
Window Forward Extra	1.1899	1,681	15 May 2014	19
Knock Out Ratio Forward	1.1899	1,681	15 Aug 2014	(24)
Forward	1.1005	454	31 January 2014	38
Structured FXO	1.2090	248	29 January 2014	14
Structured FXO	1.1525	400	29 January 2014	(2)
Derivative asset				**64**
Total loss recognised in Consolidated Statement of Comprehensive Income				**79**

	Notional value 2013 £000	Maturity date	Fair value 2013 £000
Interest rate hedges at December			
Interest rate swap	40,000	10-Oct-14	(104)
Interest rate swap	26,667	10-Feb-18	547
Derivative asset			**443**
Total gain recognised in Consolidated Statement of Comprehensive Income			**894**

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of debt, cash and cash equivalents and equity. The Group is not subject to any externally imposed capital requirements.

23. Financial Instruments (continued)

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 the 31 December 2013 was:

	Year Ended 31 December 2013 £000	Year Ended 31 December 2012 £000
Ordinary share capital and premium	30,539	13
Secured senior notes (net of transaction fees of £8,080,000)	211,920	—
Bank loans (net of transaction fees of £nil, December 2012: £2,594,000)	—	97,381
Shareholder loan notes (15% interest)	—	106,585
Cash and cash equivalents	**242,459**	**203,979**

Fair value hierarchy

Derivative financial instruments are initially recognised, and subsequently measured, at fair value. Level 1 fair value measurements are those where the value has been derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Of the above derivative contracts, the net fair value asset of £507,000 (2012: liability of £308,000) has been determined as a Level 2 measurement. There have been no transfers in or out of Level 2.

There are no Level 3 financial instruments.

24. Share Based Payments

Share Incentive Plan Scheme (SIP)

Upon listing, the Group provided eligible employees with a one off award of free shares worth up to £3,000, with a grant price of £2.425, as part of the Arrow Global Group Share Incentive Plan scheme (''SIP''). The value of SIP shares awarded was dependent on a linear scale of length of service. The free shares will vest in three years' time, 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 became 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.

24. Share Based Payments (continued)

The terms and conditions of the grant are as follows:

Grant date / employees entitled	Method of settlement accounting	Number of instruments	Vesting period	Contractual life of options
Equity settled SIP 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

* The options which vested immediately in the period were used to cover taxation and other withholdings, deducted at source

	Weighted average exercise price 2013	Number of options 2013
Outstanding at the beginning of the year*	—	—
Granted during the year	£nil	3,566,228
Forfeited during the year	—	—
Exercised during the year	—	(1,934,000)
Expired during the year	—	—
Outstanding at the end of the year	£nil	1,632,228

* There were no options prior to 2013

The weighted average share price at the date of exercise of share options exercised during the year was £2.06 (2012: £nil)

The ISOP nil cost options outstanding at the year end have a weighted average contractual life of 1.8 years. The total expenses recognised for the year arising from share-based payments are as follows:

	2013 £000	2012 £000
Equity settled share based payment expense recognised immediately	3,979	—
Equity settled share based payment expense spread across vesting period	382	—
Total Equity settled share based payment expense recognised in the statement of comprehensive income	4,361	—

The share price at the date of grant has been used as a proxy for fair value of the share options as this amount is not deemed to be materially different to the fair value calculated by an option pricing model.

25. Borrowings

As at 31 December 2013:	Year Ended 31 December 2013 £000	Year Ended 31 December 2012 £000
Senior secured notes (net of transaction fees of £8,080,000, December 2012: £nil)	211,920	—
Bank loans (net of transaction fees of £nil, December 2012: £2,594,000: £nil)	—	97,381
Shareholder loans (note 18)	—	106,585
Non-controlling interest loan	—	2,619
Senior secured notes interest	5,775	—
Total borrowings:	**217,695**	**206,585**
Amount due for settlement within 12 months	5,775	—
Amount due for settlement after 12 months	**211,920**	**206,585**

All amounts are denominated in GBP.

Senior secured notes

On 29 January 2013, the Group issued £220 million of 7.875% senior secured notes due 2020 (the ''senior notes''). Net proceeds of £211.2 million included senior secured notes issuance costs that were capitalised within the financial instrument. The proceeds from this issuance were used to repay the bank loans, shareholder loans, and the non-controlling interest loan in full resulting in recognition of a £3,036,000 amortisation of previously capitalised transaction costs. In addition, there was a cancellation fee of £880,000 for early settlement of revolving credit facility in place at that time. The 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 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 senior notes are secured by substantially all of the assets of the Group. Interest is paid bi-annually.

Revolving credit facility

On 29 January 2013, the Group entered into a revolving credit facility (the ''new revolving credit facility'') with The Royal Bank of Scotland PLC (''RBS''), as security agent for a consortium of participating financial institutions. The new revolving credit facility terminates on 28 January 2018 and bears interest at a rate per annum equal to LIBOR or EURIBOR (as applicable) plus certain mandatory costs and a margin of 4.25% per annum, subject to a margin ratchet based on the loan-to-value ratio at each quarter end. The new revolving credit facility was increased to £55 million on 22 October 2013.

The Group is also required to pay a commitment fee on available but not utilised or not cancelled commitments under the new revolving credit facility at a rate of 40% of the applicable margin per annum on the undrawn portion of each lender's commitment. The new revolving credit facility is secured by the same assets as the senior notes. Interest is paid based on agreement when the facility is drawn down, either payable every one, three or six months.

Prior to 2013, the Group entered into a £40 million revolving credit facility on 4 October 2011 (the ''old revolving credit facility''), which subsequently increased to £110 million, with a term out date of September 2013 and a termination date of September 2014. This old revolving credit facility was repaid in full and terminated on January 2013 upon issuance of the senior notes described above. Interest on the facility was repayable at 4% plus LIBOR up to the term out date and at 5% plus LIBOR after the term out date up until the termination date. The facility was repayable by the termination date and was secured against the portfolio assets of the Group. Monthly loan repayments were based on a percentage of the monthly collections that the facility is secured against. There were no fixed contractual repayment dates prior to the above dates.

25. Borrowings (continued)

Shareholder loan notes

See note 18 for detail.

Non controlling interest loan notes

Non controlling interest loan notes were issued from 10 February 2010 to 7 February 2012. Amounts shown within the borrowings table include accrued interest. On 29 January 2013, capital amounting to £2,067,000 and accrued interest amounting to £552,000, totalling £2,619,000, were repaid in full. The Group is subject to certain financial and non financial covenants under the terms of the debt described above. The Group was in compliance with all such covenants during and as of all years presented herein.

26. Acquisitions

On 28 February 2013, the Group acquired 100% of the ordinary share capital of Arrow Global Accounts Management Limited for £18,909,000, satisfied with cash. Goodwill of £2,309,000 was created as part of this acquisition and subsequently impaired as described in note 12. Arrow Global Accounts Management Limited has 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. In the ten months to 31 December 2013, the subsidiary contributed revenue of £2,881,000 and operating profit of £2,257,000 to the consolidated results for the year. If the acquisition had occurred on the first day of 1 January 2013, Group total revenue would have been an estimated £95,513,000 and operating profit would have been an estimated £44,911,000. 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 2013.

Effect of the acquisition

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

	Arrow Global Accounts Management Limited book value £000	Fair value adjustment £000	Total £000
Portfolio assets	8,262	10,039	**18,301**
Cash and cash equivalents	1,083	—	**1,083**
Payables	(50)	—	**(50)**
Corporation tax liability	(425)	—	**(425)**
Deferred tax liability	—	(2,309)	**(2,309)**
	8,870	**7,730**	**16,600**
Goodwill on acquisition (see note 12)			2,309
			18,909
Consideration:			
Cash			**18,909**

Goodwill of £2,309,000 arises on acquisition and has been immediately written off.

The fair value adjustment on the portfolio asset acquired arises from the alignment of the measurement of fair value using a methodology consistent with the Group's IFRS accounting policies.

The fair value adjustment creating a deferred tax liability represents the tax payable due to the fair value adjustment to the portfolio asset.

27. Post balance sheet events

The Group has been involved with on-going discussions with HMRC with respect to the business activities in Guernsey prior to 2013 when the Group was restructured. HMRC has concluded its review and disagree with our technical analysis. HMRC have raised an assessment for VAT but confirmed no penalties will be levied as they have confirmed that the Group acted with reasonable care. Given the time, costs and uncertainties associated with appealing the HMRC decision at a tax tribunal, and the fact that this is a historical issue with no impact on further profitability, the Board has decided commercially to settle the assessment.

The IPO proceeds were loaned by Arrow Global Group PLC to a subsidiary of the Group and reflected in trade and other payables. On 27 August 2014 the Group converted £41,680,000 held as intercompany to subordinated shareholder funding.

Director's responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and company and of the profit or loss of the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in Guernsey and the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

Each of the persons who is a director at the date of approval of the financial statements confirms that:

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(2) the director has taken all steps he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 249 of The Companies (Guernsey) Law, 2008.

La Plaiderie House
La Plaiderie
St Peter Port
Guernsey
GY1 1WG

By order of the Board

Mark Helyar
Director
Date: 4 February 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARROW GLOBAL GUERNSEY HOLDINGS LIMITED

We have audited the financial statements of Arrow Global Guernsey Holdings Limited for the year ended 31 December 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, Consolidated and Parent Company Statement of Changes in Equity, Consolidated and Parent Company Statement of Cash Flow and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. 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, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and parent company's affairs as at 31 December and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP
Chartered Accountants
Manchester, UK

4 February 2013

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2012

	Notes	Group Year Ended 31 December 2012 £000	Group Year Ended 31 December 2011 £000
Continuing operations			
Revenue			
Income from purchased loan portfolios	*13*	62,261	47,493
Portfolio write up	*5,13*	1,241	816
Profit/(loss) on portfolio and loan note sales		520	(25)
		64,022	48,284
Interest income and profit on disposal of secured loan notes		—	154
Interest income	*6*	—	1
Income from asset management		1,818	1,447
Total revenue		**65,840**	**49,886**
Operating expenses			
Collection activity costs		(19,645)	(18,152)
Professional fees and services		(4,548)	(3,243)
Other expenses	*9*	(10,310)	(7,150)
Total operating expenses		**(34,503)**	**(28,545)**
Operating profit		**31,337**	**21,341**
Finance costs	*7*	(19,189)	(15,132)
Profit before tax		**12,148**	**6,209**
Taxation charge on ordinary activities	*10*	(2,736)	(2,006)
Profit for the year attributable to equity shareholders		**9,412**	**4,203**
Foreign exchange translation difference arising on revaluation of foreign operations		133	(291)
Total comprehensive income for the year attributable to equity shareholders		**9,545**	**3,912**

The notes on pages F-57 to F-78 form part of these financial statements.

Consolidated and Parent Company Balance Sheets as at 31 December 2012

	Notes	Group 31 December 2012 £000	Company 31 December 2012 £000	Group 31 December 2011 £000	Company 31 December 2011 £000
Assets					
Non-current assets					
Goodwill	*11*	1,968	—	1,968	—
Other intangible assets	*12*	1,755	—	1,719	—
Property, plant & equipment	*12*	252	—	403	—
Purchased loan portfolios	*13*	163,079	—	114,883	—
Due from subsidiary undertakings	*19*	—	25,978	—	24,861
Investment in subsidiary undertakings	*20*	—	14,584	—	14,584
Deferred tax asset		9	—	—	—
Total non-current assets		**167,063**	**40,562**	**118,973**	**39,445**
Current assets					
Cash and cash equivalents		9,610	—	6,440	62
Other receivables	*14*	7,006	475	5,793	474
Derivative asset	*21*	143	143	116	116
Purchased loan portfolios	*13*	45,092	—	35,122	—
Current tax asset		38	—	—	—
Deferred tax asset		—	—	139	—
Due from subsidiary undertakings	*19*	—	62,224	—	58,243
Total current assets		**61,889**	**62,842**	**47,610**	**58,895**
Total assets		**228,952**	**103,404**	**166,583**	**98,340**
Equity					
Share capital	*17*	10	10	10	10
Share premium	*17*	3	3	3	3
Retained earnings/(deficit)		12,868	(39,894)	3,456	(25,072)
Translation reserve		(326)	—	(459)	—
Total equity attributable to shareholders		**12,555**	**(39,881)**	**3,010**	**(25,059)**
Liabilities					
Non-current liabilities					
Non-controlling interest loan	*22*	2,619	2,619	1,950	1,950
Bank loan	*22*	97,381	—	58,983	—
Shareholders' loan	*16,22*	106,585	106,585	91,703	91,703
Total non-current liabilities		**206,585**	**109,204**	**152,636**	**93,653**
Current liabilities					
Trade and other payables	*15*	7,728	66	7,697	91
Derivative liability		451	—	—	—
Deferred consideration	*19,24*	—	—	1,065	—
Current tax liability		1,633	—	2,175	—
Due to subsidiary undertakings	*19*	—	34,015	—	29,655
Total current liabilities		**9,812**	**34,081**	**10,937**	**29,746**
Total liabilities		**216,397**	**143,285**	**163,573**	**123,399**
Total equity and liabilities		**228,952**	**103,404**	**166,583**	**98,340**

The notes on pages F-57 to F-78 form part of these financial statements.

Approved by the Board of Directors on 4 February 2013, signed and authorised for issue on its behalf by:

Mark Helyar

Guernsey Registered No. 49541

Consolidated and Parent Company Statement of Changes in Equity for the Year Ended 31 December 2012

Group	Ordinary shares* £000	Share premium £000	Retained earnings £000	Translation reserve £000	Total £000
Balance at 31 December 2010	**10**	**6**	**(747)**	**(168)**	**(899)**
Profit for the year	—	—	4,203	—	4,203
Exchange differences	—	—	—	(291)	(291)
Total comprehensive income for the year	**—**	**—**	**4,203**	**(291)**	**3,912**
Redemption of shares	—	(3)	—	—	(3)
Balance at 31 December 2011	**10**	**3**	**3,456**	**(459)**	**3,010**
Profit for the year	—	—	9,412	—	9,412
Exchange differences	—	—	—	133	133
Total comprehensive income for the year	**—**	**—**	**9,412**	**133**	**9,545**
Balance at 31 December 2012	**10**	**3**	**12,868**	**(326)**	**12,555**

Company	Ordinary shares £000	Share premium £000	Retained earnings £000	Total £000
Balance at 31 December 2010	**10**	**6**	**(13,752)**	**(13,736)**
Loss for the year	—	—	(11,320)	(11,320)
Total comprehensive expenditure for the year	**—**	**—**	**(11,320)**	**(11,320)**
Redemption of shares	—	(3)	—	(3)
Balance at 31 December 2011	**10**	**3**	**(25,072)**	**(25,059)**
Loss for the year	—	—	(14,822)	(14,822)
Total comprehensive expenditure for the year	**—**	**—**	**(14,822)**	**(14,822)**
Balance at 31 December 2012	**10**	**3**	**(39,894)**	**(39,881)**

* included within ordinary shares are A shares of £9,000, B shares of £1,000, C shares of £200 and D shares of £50.

The notes on pages F-57 to F-78 form part of these financial statements.

Consolidated and Parent Company Statement of Cash Flow for the Year Ended 31 December 2012

	Note	Group Year Ended 31 December 2012 £000	Company Year Ended 31 December 2012 £000	Group Year Ended 31 December 2011 £000 (restated*)	Company Year Ended 31 December 2011 £000 (restated*)
Cash flows from operating activities					
Profit/(loss) before tax		12,148	(14,822)	6,209	(11,320)
Non-cash movements:					
Portfolio write up		(1,241)	—	(816)	—
Income on purchased loan portfolios		(62,261)	—	(47,493)	—
(Profit)/loss on disposal of purchased loan portfolios		(520)	—	25	—
Amortisation of legal acquisition fees on portfolios		230	—	57	—
Interest income and profit on disposal of secured loan notes		—	—	(154)	—
Depreciation and amortisation		835	—	283	—
Increase in rolled up interest on shareholders' loans		14,882	14,882	10,979	10,979
Increase in rolled up interest on non-controlling interest loans		349	349	156	156
Increase in deferred consideration payable to related parties		—	—	41	—
Adjustment to portfolio deferred consideration		—	—	400	—
Foreign exchange losses/(gains)		348	—	(336)	—
Loss/(gain) on fair values on derivatives		424	(27)	(489)	(489)
Operating cash flows before movement in working capital		**(34,806)**	**382**	**(31,138)**	**(674)**
Increase in other receivables		(1,602)	(1)	(4,378)	(470)
Increase in amounts due from subsidiary undertakings		—	(738)	—	(73,936)
Increase/(decrease) in trade and other payables		31	(25)	1,386	(1,866)
Payment of deferred consideration		(1,065)	—	(1,440)	—
Collections in the year		88,720	—	68,248	—
Cash from secured loan notes from third party		—	—	570	—
Proceeds from disposal of purchased loan portfolios		1,137	—	1,795	—
Cash generated by operations		**52,415**	**(382)**	**35,043**	**(76,946)**
Income taxes and overseas taxation paid		(3,173)	—	—	—
Net cash flow from operating activities before purchases of purchased loan portfolios		**49,242**	**(382)**	**35,043**	**(76,946)**
Purchases of purchased loan portfolios	*13*	(84,431)	—	(109,744)	—
Net cash used in operating activities		**(35,189)**	**(382)**	**(74,701)**	**(76,946)**
Investing activities					
Purchase of property, plant and equipment	*12*	(40)	—	(112)	—
Purchase of intangible assets	*12*	(679)	—	(1,665)	—
Net cash used in investing activities		**(719)**	**—**	**(1,777)**	**—**
Financing activities					
Proceeds from additional loans		92,921	11,320	85,343	82,245
Redemption of loan notes and shares		—	—	(92)	(92)
Repayment of bank loan		(53,814)	(11,000)	(7,027)	(7,027)
Net cash flow generated by financing activities		**39,107**	**320**	**78,224**	**75,126**
Net increase/(decrease) in cash and cash equivalents		**3,199**	**(62)**	**1,746**	**(1,820)**
Cash and cash equivalents at beginning of year		**6,440**	**62**	**4,681**	**1,882**
Effect of exchange rates on cash and cash equivalents		(29)	—	13	—
Cash and cash equivalents at end of year		**9,610**	**—**	**6,440**	**62**

* The accounting policy for the classification of purchases of portfolio acquisitions has been revised in the year and accordingly the comparative periods have been restated. Further information is provided in note 1 to the financial statements.

The notes on pages F-57 to F-78 form part of these financial statements.

Notes to the Consolidated Financial Statements

1. General information

Arrow Global Guernsey Holdings Limited is a company incorporated in Guernsey. The address of the registered office is listed on page F-51. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

At 31 December 2012, Arrow Global Guernsey Holdings Limited was the Ultimate Parent Company of the Group. The Company's subsidiaries (collectively the ''Group'') are listed in note 20.

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. 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 2012 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU. The accounting policies have been applied consistently in the current and prior periods other than for a change in presentation of cash flows within the consolidated statement of cash flow.

The presentation of certain items included within the consolidated statement of cash flow differs from the presentation in the annual report for the year ended 31 December 2011 due to a change in classification to reflect a fairer presentation in light of the requirements of IAS 7 Statement of Cash Flows and to reflect industry practice. This reclassification reflects a change in the presentation of purchases of purchased loan portfolios to be within net cash from operating activities rather than within net cash used in investing activities as presented in the annual report for 31 December 2011, and accordingly the prior year comparatives have been restated. The impact on the Group cash flows is shown below. There is no impact on Company cash flows.

Year ended 31 December 2011 £'000	Net cash used in operating activities	Net cash used in investing activities	Net cash flow
As previously reported	35,043	(111,521)	1,746
Change in presentation	(109,744)	109,744	—
As restated	(74,701)	1,777	1,746

The impact in the current year arising from this change in policy is to increase net cash used in investing activities by £84,431,000 and reduce net cash used in operating activities by the same amount.

2. Adoption of new and revised standards

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2012 and are not expected to have any material impact on the Group:

IAS 12 (amendment) 'Deferred tax: recovery of underlying assets'

IAS 1 (amendment) 'Presentation of items of other comprehensive income'

IAS 19 (amendment) ' Employee benefits'

The following standards, interpretations and amendments to existing standards are not yet effective and have not been early adopted by the Group:

IFRS 9 'Financial instruments'. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not yet applicable until 1 January 2015 and has not yet been endorsed by the EU, however, is available for early adoption. The Group is in the process of assessing IFRS 9's full impact.

IFRS 10 'Consolidated Financial Statements';

IFRS 12 'Disclosure of interests in other entities'

IAS 27 (revised) 'Separate Financial Statements'; and

2. Adoption of new and revised standards (continued)

IFRS 13 'Fair value measurements';

Improvements 2011 'Annual improvements o IFRSs: 2009-2011 cycle'

IFRS 7 and IAS 32(amendment) 'Disclosures—offsetting financial assets and financial liabilities';

IFRS 9 'Hedge accounting'

3. Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with EU IAS Regulation.

The Financial Statements of the Group and the Company have been prepared under the historical cost convention other than the fair value of derivative contracts.

Going concern

The financial statements have been prepared under the going concern basis, which the Directors believe to be appropriate. The Directors are satisfied that the Group has adequate resources to continue to trade for the foreseeable future and the going concern basis continues to be appropriate for preparing the financial statements. In making this assessment, detailed trading forecasts have been prepared which support the going concern assumptions being applied. The decline in the economic climate has seen increased amounts of charged-off, unsecured debt being placed into the marketplace by large financial institutions and this trend looks set to continue for the foreseeable future. This presents an opportunity for the Group to acquire portfolios of debt during this time for purchase considerations significantly lower than the debt's face value.

During the year, the Group extended its external financing to a total available revolving credit facility of £110,000,000 with a termination date of September 2014. Forecasts until this date show that all covenants related to the facility are expected to be complied with. In January 2013, Arrow Global Finance plc, a public limited company was incorporated and issued a bond for £220,000,000 of senior secured notes. The proceeds of the bond were used for the repayment of existing liabilities with residual cash of £40m for use in operating activities.

The Company did not generate any cash or revenue of its own as its activities remain that of a holding Company. The principal liabilities of the Group relate to the shareholder loan of £106,585,000 which is not repayable until 2015. The shareholder of the Company owns 100% of the assets and liabilities of the Group and manages its exposure at a Group level, not at a Company level.

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 each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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.

3. Significant accounting policies (continued)

Business combinations

The acquisition of subsidiaries is accounted for using the purchase 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 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. 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.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

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 pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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 the 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. The EIR is determined as at the time of purchase of the loan portfolio 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 income from purchased loan portfolios. When an individual portfolio's carrying value is completely recovered, we recognize any subsequent collections as revenue as it is received.

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 twelve months after the balance sheet date. The residual amount is classified as non-current.

3. Significant accounting policies (continued)

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. The right to receive such revenue is measured in reference to services rendered based on the stage of completion, regardless of milestone payments received.

Impairment of purchased loan portfolios

The portfolios are reviewed for any possible indications of impairment at the balance sheet date in accordance with IAS 39. Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio. If the forecast portfolio collections exceed initial estimates, a portfolio basis adjustment is recorded as an increase to the carrying value of the portfolio and is included in income from purchased loan portfolios. Where portfolios have been newly acquired, the Company identifies 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 subsequent to the acquisition date of the portfolio.

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 13). Interest income is recognised throughout the year.

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 currencies

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 are 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 period in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks.

For the purpose of presenting 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 period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in the Consolidated Statement of Changes in Equity.

3. Significant accounting policies (continued)

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 period 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 income statement 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 income statement, 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 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 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 income statement, except when it relates to items charged or credited to equity, in which case the deferred taxation is also dealt with in equity.

Property, plant and equipment and other intangibles

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

3. Significant accounting policies (continued)

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method on the following bases:

Furniture	—5 years
Computer equipment	—3 years
Leasehold improvements	—5 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 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 licenses 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 effective interest method less any impairment.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and in conjunction with the application of IFRS. The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or they expire. Financial liabilities are held at amortised cost.

Investment in subsidiaries

Fixed asset investment is stated at cost less any provision for impairment.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

3. Significant accounting policies (continued)

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 are allocated to the purchase price of the portfolio with the effective interest rate 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.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the Directors have 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.

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 the 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. The EIR is determined as at the time of purchase of the loan portfolio 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 income from purchased loan portfolios. When an individual portfolio's carrying value is completely recovered, we recognize any subsequent collections as revenue as it is received.

Impairment of purchased loan portfolios

The portfolios are reviewed for any possible indications of impairment at the balance sheet date in accordance with IAS 39. Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio. If the forecast portfolio collections exceed initial estimates, a portfolio basis adjustment is recorded as an increase to the carrying value of the portfolio and is included in income from purchased loan portfolios. Where portfolios have been newly acquired, the Company identifies 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 subsequent to the acquisition date of the portfolio.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Cash flow forecasts

Estimates of cash flows that determine the effective interest rate are established for each purchased portfolio over 12 months old and 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. Revaluations of portfolios are based on the 84-month estimated remaining collections (''ERC''). This ERC is updated with the Core Collections experience to date on a monthly basis using a proprietary model. ERC represents an estimate of the undiscounted cash value of our purchased loan portfolios at a point in time.

5. Profit for the year

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Profit for the year has been arrived at after charging/(crediting):		
Net foreign exchange losses/(gains)	348	(336)
Operating lease—properties	180	205
Portfolio write up	(1,241)	(816)
Depreciation and amortisation	835	283

6. Interest income

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Bank interest	—	1

7. Finance costs

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Interest on minority interest loans	349	156
Interest on bank loans	3,507	3,997
Shareholder interest expense	14,882	10,979
Total interest expense	**18,738**	**15,132**
Fair value losses on interest rate swaps	451	—
	19,189	**15,132**

8. Auditor remuneration

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
The analysis of auditor remuneration is as follows:		
Fees payable for audit services—Company	25	20
Fees payable for audit services for subsidiaries	89	65
Total fees payable for audit services	**114**	**85**
Fees payable for tax compliance	53	31
Fees payable for tax advisory services	238	129
Fees payable for other assurance services	196	17
Fees payable for corporate finance services	200	46
Total fees payable for non-audit services	**687**	**223**
	801	**308**

9. Staff costs and other operating expenses

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Wages, bonuses and salaries	5,179	4,098
Payments for termination of employment of key management	158	546
Payments for termination of employment of employees	7	33
Pension costs	157	110
Social security costs	601	502
	6,102	5,289

The total Directors' and key management personnel remuneration paid during the year was £1,185,000 (2011: £602,000) and included £39,000 in relation to pension costs (2011: £22,000). The remuneration of the highest paid Director during the year was £395,000 (2011: £285,000) including pension costs of £15,000 (2011: £15,000).

At 31 December 2012 there was an accrual in respect of pension costs of £22,000 (2011: £35,000).

The average monthly number of employees (including executive Directors) are analysed below:

	Year ended 31 December 2012 number	Year ended 31 December 2011 number
Data and Systems	31	30
Collections	46	24
Management	6	8
Finance	7	6
	90	68

9. Staff costs and other operating expenses (continued)

Other operating expenses are as follows:

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Employee	6,102	5,289
Other staff costs	967	365
Premises	529	571
IT	677	660
Depreciation and amortisation	835	283
Net foreign exchange losses/(gains)	348	(336)
Other	852	318
	10,310	7,150

10. Tax

The Group's entities incorporated in Guernsey are taxed at 0%. Corporation tax is payable in respect of the Group's entities in the UK and Poland, of which the UK's activities are more predominant. The analysis below therefore uses the UK rate of corporation tax. The effective tax rate for the year ended 31 December 2012 is lower (2011: higher) than the standard rate of corporation tax in the UK at 24.5% (2011: 26.5%), the differences are as follows:

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Profit before tax	12,148	6,209
Tax charge/(credit) at standard UK corporation tax rate of 24.5% (2011: 26.5%)	2,976	1,645
Adjustment in respect of prior years	81	(4)
Current year loss utilisation	—	(1,064)
Expenses not deductible for tax purposes	35	58
Other	6	(158)
Differing overseas tax rates	(362)	1,529
Tax charge	**2,736**	**2,006**
Effective tax rate relating to continuing operations	**22.5%**	**32.3%**

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Tax charge for the year ended 31 December 2012 consists of:		
Current tax charge:		
UK and foreign corporation tax based on profit for the year	2,426	2,149
Adjustment in respect of prior years	181	(4)
Total current tax charge	**2,607**	**2,145**
Deferred tax charge/(credit):		
Origination and reversal of temporary differences	229	(139)
Adjustment in respect of prior years	(100)	—
Total tax charge	**2,736**	**2,006**

10. Tax (continued)

The Group has not recognised a deferred tax asset in respect of £249,000 (2011: £249,000) of tax losses carried forward. These losses are available for offset against future trading profits and have no expiry date.

Finance Act 2012, which was substantively enacted in July 2012, included provisions to reduce the rate of UK corporation tax to 24% with effect from 1 April 2012 and 23% with effect from 1 April 2013. 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 revalued to the lower rate of 23% in these accounts.

The UK government has announced its intention to further reduce the rate of corporation tax to 21% with effect from 1 April 2014. As this further reduction in UK corporate tax rates has not been substantively enacted at the balance sheet date, it is considered a non-adjusting event and has not been reflected in these accounts. The impact of this future reduction will be taken into account at a subsequent reporting date, once the change has been substantively enacted.

11. Goodwill

Cost and Net Book Value

	Total £000
At 1 January 2012 and 31 December 2012	**1,968**

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The Group has considered the cash generating unit (''CGU'') that supports the purchased goodwill, and the recoverable amount of this CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate and forecast cash flows during the period. Management estimates discount rates using pre-tax rates that reflect weighted average cost of capital of the cash generating unit. The rate used to discount the forecast cash flows from this CGU is 15% (2011: 10%). At the beginning and end of the financial period the fair value of goodwill was substantially in excess of its book value and therefore management deem it reasonable not to impair the carrying amount of goodwill.

12. Property, plant and equipment and intangible assets

	Leasehold improvements £000	**Computer equipment £000**	**Furniture £000**	**Total property, plant and equipment £000**
Property, plant and equipment				
Cost				
At 1 January 2012	**346**	**283**	**163**	**792**
Additions	—	40	—	40
At 31 December 2012	**346**	**323**	**163**	**832**
Accumulated depreciation				
At 1 January 2012	**164**	**172**	**52**	**388**
Charge for the year	78	79	35	192
At 31 December 2012	**242**	**251**	**87**	**580**
Carrying amount				
At 31 December 2012	**104**	**72**	**76**	**252**
At 31 December 2011	**182**	**111**	**110**	**403**

12. Property, plant and equipment and intangible assets (continued)

	Software licenses £000
Intangible assets	
Cost	
At 1 January 2012	**1,953**
Additions	679
At 31 December 2012	**2,632**
Accumulated amortisation	
At 1 January 2012	**234**
Charge for the year	643
At 31 December 2012	**877**
Carrying amount	
At 31 December 2012	**1,755**
At 31 December 2011	**1,719**

13. Financial assets

At 31 December 2012:

	Current £000	Non-current £000	Total £000
Purchased loan portfolios	44,805	162,125	206,930
Portfolio write up	287	954	1,241
	45,092	**163,079**	**208,171**

At 31 December 2011:

	Current £000	Non-current £000	Total £000
Purchased loan portfolios	34,983	114,206	149,189
Portfolio write up	139	677	816
	35,122	**114,883**	**150,005**

The Directors consider that there is no material difference to the fair value of the portfolio.

13. Financial assets (continued)

Purchased loan portfolios

The Group recognises income from purchased loan portfolios in accordance with IAS 39. At 31 December 2012, the carrying amount of the purchased loan portfolio asset was £208,171,000 (2011: £150,005,000). The movements in purchased loan portfolio assets were as follows:

	2012 £000	2011 £000
As at 1 January	150,005	62,435
Portfolios acquired during the year*	84,431	109,744
Collections in the year	(88,720)	(68,248)
Income from purchased loan portfolios	62,261	47,493
Deferred consideration on portfolio acquisition in the year	—	(400)
Exchange gain on purchased loan portfolios	(200)	42
Amortisation of legal acquisition fees on portfolios	(230)	(57)
Disposal of purchased loan portfolios	(617)	(1,820)
Portfolio write up	1,241	816
As at 31 December	**208,171**	**150,005**

* inclusive of capitalised portfolio expenditure of £453,000 (2011: £nil)

14. Other receivables and prepayments

	31 December 2012 £000	31 December 2011 £000
Prepayments	5,742	3,875
Other debtors	1,219	1,885
Deposits	45	33
	7,006	**5,793**

The Directors consider that the carrying amounts approximate to their fair value as balances are readily converted to cash. At 31 December 2012 the Company has other receivables of £475,000 (2011: £474,000) relating to prepaid legal expenditure.

15. Trade and other payables

	31 December 2012 £000	31 December 2011 £000
Trade payables	3,146	2,587
Taxation and social security	69	221
Other liabilities and accruals	4,513	4,889
	7,728	**7,697**

The Directors consider that the carrying amounts approximate to their fair value on grounds that the balances are short term in nature.

16. Shareholders' loans

The Company has a nominal amount of £66,625,000 of £1 loan stock accruing interest at 15% per annum in issue. The loan stock and accrued interest are repayable at the earliest of the sale of the business or 31 December 2015.

16. Shareholders' loans (continued)

As at 31 December 2012, there was £66,625,000 of loan stock in issue and accruing interest as follows:

	31 December 2012 £000	31 December 2011 £000
Loan received from shareholders	66,625	66,625
Interest accruing at 15% per annum	39,960	25,078
	106,585	91,703

The Directors consider that the carrying amounts approximate to their fair value, as market interest rates for similar debt for a comparable life are not expected to be significantly different.

17. Share capital

The share capital of the Company is unlimited. For the period from incorporation the Company issued 10,252 Ordinary shares for a total consideration of £16,616 giving rise to a share premium of £6,364, of which £2,937 was redeemed in 2011, and:

	31 December 2012 £	31 December 2011 £
Issued and fully paid:		
'A' Ordinary Shares of £1 each	9,002	9,002
'B' Ordinary Shares of £1 each	1,000	1,000
'C' Ordinary Shares of £1 each	200	200
'D' Ordinary Shares of £1 each	50	50
	10,252	10,252

The Company's ordinary shares carry no right to fixed income. Each 'A' ordinary share shall rank equally for any dividends paid thereon which shall be paid pro rata to the issue price of each 'A' ordinary share. A dividend may be paid on the 'B' ordinary share at the direction of the board subject to the prior written consent of the majority of 'A' ordinary shareholders having been obtained. Each 'B' ordinary share shall rank equally for any dividends paid thereon which shall be paid pro rata to the issue price of each 'B' ordinary share. Every holder of A ordinary share who is present in person or by proxy shall have one vote for every share. The 'C' ordinary shares and the 'D' ordinary shares do not confer on the holders any right of participation in the profits of the Company.

18. 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:

	31 December 2012 £000	31 December 2011 £000
Less than 1 year	189	189
1-2 years	173	189
2-5 years	—	173
	362	551

Operating lease payments represent rentals payable by the Group for certain of its office properties.

19. Related party transactions

Group

As at 31 December 2012:

	RB Investments 1 £000	Key management personnel £000	Other minority shareholders £000	Total £000
Non-controlling interest loan	—	—	(2,619)	(2,619)
Shareholders' loans	(106,585)	—	—	(106,585)
	(106,585)	—	(2,619)	(109,204)

As at 31 December 2011:

	RB Investments 1 £000	Key management personnel £000	Other minority shareholders £000	Total £000
Non-controlling interest loan	—	—	(1,950)	(1,950)
Shareholders' loans	(91,703)	—	—	(91,703)
Deferred consideration	—	(1,065)	—	(1,065)
	(91,703)	(1,065)	(1,950)	(94,718)

Remuneration for Directors and key management personnel have been disclosed in note 9.

The amount owed to RB Investments 1 is described in note 16.

An amount of £11,000,000 entered into by Arrow Global Guernsey Holdings Limited and RBS Asset Management Limited on October 29, 2012 and was repaid on November 2, 2012. The loan was advanced to facilitate the acquisition of a portfolio while in the process of drawing under the Existing Revolving Credit Facility. Interest on the loan was repayable at 18%.

Company

As at 31 December 2012:

	RB Investments 1 £000	Arrow Global Guernsey Limited £000	Batchblock Limited £000	Arrow Global Limited £000	Total £000
Shareholders loans	(106,585)	—	—	—	(106,585)
Intercompany receivables	—	59,934	2,290	—	62,224
Intercompany creditors	—	—	—	(34,015)	(34,015)
Related party PIK Notes	—	15,766	10,212	—	25,978
	(106,585)	**75,700**	**12,502**	**(34,015)**	**(52,398)**

As at 31 December 2011:

	RB Investments 1 £000	Arrow Global Guernsey Limited £000	Batchblock Limited £000	Arrow Global Limited £000	Total £000
Shareholders loans	(91,703)	—	—	—	(91,703)
Intercompany receivables	—	56,103	2,140	—	58,243
Intercompany creditors	—	—	—	(29,655)	(29,655)
Related party PIK Notes	—	15,089	9,772	—	24,861
	(91,703)	**71,192**	**11,912**	**(29,655)**	**(38,254)**

19. Related party transactions (continued)

The amount owed to RB Investments 1 is in respect of loan notes issued historically by Arrow Global Guernsey Holdings Limited totalling £66,625,000. Interest accrues at 15% per annum which totals £39,960,000 cumulatively (2011: £25,078). Interest charged in the year amounted to £14,882,000 (2011: £10,979,000).

There is an amount due from Arrow Global Guernsey Limited in respect of a loan note issued by Arrow Global Guernsey Holdings Limited on 21 January 2009 for an amount of £15,089,000 with interest accruing at 6 month LIBOR plus 3.5% amounting to £677,000 (2011: £684,000). At the year ended 31 December 2012 £15,766,000 was due in respect of this loan note (2011: £15,089,000). This intercompany balance is held as a non-current asset as it is due for repayment December 2015.

There is also an additional intercompany balance due from Arrow Global Guernsey Limited of £59,934,000 (2011: £56,103,000). This relates to intercompany loans that are repayable on demand and are therefore held as current assets.

The amount due from Batchblock Limited is in respect of a loan note issued to Arrow Global Guernsey Holdings Limited on 21 January 2009 for an amount of £9,772,000 with interest accruing at 6 month LIBOR plus 3.5% amounting to £440,000 (2011: £443,000). At the year ended 31 December 2012 £10,212,000 was due in respect of this loan note (2011: £9,772,000). This intercompany balance is held as a non-current asset as it is due for payment December 2015.

There is also an additional intercompany balance due from Batchblock Limited of £2,290,000 (2011: £2,140,000). This relates to intercompany loans that are repayable on demand and are therefore held as current assets.

At the year end the company owed Arrow Global Limited £34,015,000 (2011: £29,655,000). This balance relates to intercompany loans that are repayable on demand and are therefore held as current liabilities.

No other transactions occurred between the related parties, excluding those disclosed above.

20. Investments in subsidiary undertakings

Details of the Company's subsidiaries at 31 December 2012 are as follows:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest (%)	Parent Company
Arrow Global Guernsey Limited	Guernsey	100	AGGHL
Batchblock Limited (BBL)	United Kingdom	100	AGGHL
Arrow Global (Holdings) Limited (AG(H)L)	United Kingdom	100	BBL
Arrow Global Limited (AGL)	United Kingdom	100	AG(H)L
Arrow Global Receivables Management Limited	United Kingdom	100	AG(H)L
Arrow Global Management Limited	United Kingdom	100	AG(H)L
Arrow Global Portugal Limited (AGPL)	United Kingdom	100	AG(H)L
Strzala Sp. z o.o.	Poland	100	AG(H)L/AGL
Arrow Global Debt Limited	Guernsey	100	AGGHL
Arrow Global Debt No. 1 Limited	Guernsey	100	AGDL
Arrow Global Debt No. 2 Limited	Guernsey	100	AGDL
Arrow Global Debt No. 3 Limited	Guernsey	100	AGDL
Arrow Global Guernsey Management Limited	Guernsey	100	AGDL

	Batchblock Limited £000	Arrow Global Guernsey Limited £000	Total £000
At 1 January 2012 and 31 December 2012	5,784	8,800	14,584

The investments in subsidiaries are all stated at cost.

21. Financial Instruments

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, market risk and liquidity risk that arises throughout the normal course of the Group's business.

Fair values

The Directors consider that there are no material differences between the financial asset values in the Consolidated Balance Sheet and their fair value. Borrowings are considered to be reported at fair value as these were arm length transactions at prevailing market rates. The Group has not identified a significant change in the availability of such market rates.

Credit risk

Credit risk is considered upon the acquisition of a portfolio and loan notes by assessing the expected return. The Group manages this risk by monitoring the performance of the loan notes and portfolio 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 maximum credit risk exposure in relation to the financial assets is disclosed below:

Consolidated Balance Sheet	31 December 2012 £000	31 December 2011 £000
Purchased loan portfolio	208,171	150,929
Cash and cash equivalents	9,610	6,440
Derivative asset	143	116
	217,924	**157,485**

The Group's principal activity is the acquisition and management of underperforming portfolios of loans. All purchased portfolios are, by their nature, significantly past due and impaired upon acquisition. No additional collateral is held in respect of the portfolios. The Group performs impairment reviews periodically.

All purchased loan portfolios 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. All secured 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.

Liquidity risk

The Group actively monitors its liquidity and cash flow position to ensure it has sufficient cash and purchased loan portfolio financing in order to fund its activities. The management team monitor cash through daily reporting, the management accounts and periodic review meetings. Management have well established models used to predict collectability of cash receipts and this represents a key performance indicator of the business. The table below includes both interest and principal cash flows, payable over the expected life of the instrument.

21. Financial Instruments (continued)

As at 31 December 2012:

	within 1 year £000	1 to 2 years £000	2-5 years £000	Total £000
Amounts due to:				
Non-interest bearing				
Trade and other payables	7,728	—	—	7,728
Interest bearing				
Non-controlling interest loan	—	—	3,797	3,797
Bank loan	—	114,679	—	114,679
Shareholder loan note	—	—	167,143	167,143
Total	**7,728**	**114,679**	**170,940**	**293,347**

As at 31 December 2011:

	within 1 year £000	1 to 2 years £000	above 2 years £000	Total £000
Amounts due to:				
Non-interest bearing				
Trade and other payables	7,697	—	—	7,697
Deferred consideration	1,065	—	—	1,065
Interest bearing				
Non-controlling interest loan	—	—	2,633	2,633
Bank loan	—	—	62,015	62,015
Shareholder loan note	—	—	123,829	123,829
Total	**8,762**	**—**	**188,477**	**197,239**

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 currency risk and interest rate risk considered further below.

Interest rate risk

The Group is exposed to interest rate risk during the period on the purchased loan portfolio financing, related party loans, PIK loan note financing and cash and cash equivalents. The recoverability of debts may be influenced by movements in the interest rate environment. The Group have an interest rate risk swap in place for a notional amount of £90,000,000 (£60,000,000).

Interest rate sensitivity analysis

If interest base rates had been 0.5 per cent higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2012 would decrease/increase by £53,000 (2011: £38,000). This is attributable to the Group's exposure to interest on its cash and cash equivalents.

If LIBOR rates had been 0.25 per cent higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2012 would decrease/increase by £210,000 (2011: £101,000). This is attributable to the Group's exposure to interest on its rolling credit facility.

Foreign currency risk

The Group is exposed to foreign exchange currency risk on purchased loan portfolios, secured loan notes, cash and cash equivalents and its transactions with other related parties. The risk of this exposure is reduced using forward foreign exchange contracts.

21. Financial Instruments (continued)

Foreign currency sensitivity analysis

If foreign exchange rates had been 10 per cent higher 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		Net Profit	
Currency	**31 December 2012 £000**	**31 December 2011 £000**	**31 December 2012 £000**	**31 December 2011 £000**
Euro (EUR)	(1,620)	(595)	(980)	(1,001)
US Dollar (USD)	—	(4)	(1)	—
Polish Zloty (PLN)	(64)	(60)	—	—
	(1,684)	(659)	(981)	(1,001)

If foreign exchange rates had been 10 per cent lower 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		Net Profit	
Currency	**31 December 2012 £000**	**31 December 2011 £000**	**31 December 2012 £000**	**31 December 2011 £000**
Euro (EUR)	1,980	727	1,197	1,224
US Dollar (USD)	—	5	1	—
Polish Zloty (PLN)	78	74	—	—
	2,058	806	1,198	1,224

10% is considered to be a reasonable expectation of possible fluctuations in rates.

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.

In the current year, the Group has created certain forward contracts to mitigate its portfolio future cash flows in Poland and Portugal. The collection remittances are received in Polish Zloty and Euro's respectively. The Group has entered into the forward foreign exchange contracts (for terms provided in the table below) to mitigate the exchange rate risk arising from these anticipated future cash flows.

As at 31 December 2012, the aggregate amount of gains 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 £27,000 (2011: £489,000). It is anticipated that the cash flows will take place over the next three years for Portugal.

Outstanding contracts	Average exchange rate	Notional value 2012 £000	Maturity date	Fair value 2012 £000
Cash flow hedges				
Sell Euro				
European OTC Put GBP/ Call EUR	1.154	1,337	31 Jan 2013	77
European OTC Put GBP/ Call EUR	1.154	1,148	31 Jan 2014	66
Balance sheet asset				**143**
Total gain recognised in Consolidated Statement of Comprehensive Income				**27**

21. Financial Instruments (continued)

	Notional value 2012 £000	Maturity date	Fair value 2012 £000
Interest rate hedges			
Interest rate swap	30,000	10-Oct-13	109
Interest rate swap	60,000	10-Oct-14	342
Balance sheet liability			**451**
Total loss recognised in Consolidated Statement of Comprehensive Income			**451**

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of debt, cash and cash equivalents and equity.

The Group is not subject to any externally imposed capital requirements.

The 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 the 31 December 2012 was:

	31 December 2012 £000	31 December 2011 £000
Cash and cash equivalents	9,610	6,440
Ordinary shares	13	13
Shareholder loan notes (15% interest)	106,585	91,703

Fair value hierarchy

Derivative financial instruments are initially recognised, and subsequently measured, at fair value. Level 1 fair value measurements are those where the value has been derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Of the above derivative contracts, the net fair value liability of £308,000 (2011: asset of £116,000) has been determined as a Level 2 measurement. There have been no transfers in or out of Level 2.

22. Borrowings

	31 December 2012 £000	31 December 2011 £000
Secured borrowing at amortised cost		
Bank loans (net of transaction fees of £2,594,000 (2011: £2,205,000))	97,381	58,983
Shareholder loans	106,585	91,703
Non-controlling interest loan	2,619	1,950
	206,585	**152,636**
Total borrowings		
Amount due for settlement within 12 months	—	—
Amount due for settlement after 12 months	**206,585**	**152,636**

22. Borrowings (continued)

All amounts are denominated in GBP.

The revolving credit facility has a term out date of September 2013 and a termination date of September 2014. Interest on bank loans are repayable at 4% plus LIBOR up to the term out date and at 5% plus LIBOR after the term out date up until the termination date. The bank loan is repayable by the termination date and is secured against the portfolio assets of the Group. Monthly loan repayments are based on a percentage of the monthly collections that the facility is secured against. There are no fixed contractual repayment dates prior to the above dates.

Portfolio assets by their nature are all past due and impaired and therefore no further disclosure in this respect is considered to be necessary.

Shareholder loan notes of £66,625,000 have been issued and is repayable at par on 31 December 2015. Interest on shareholder loan notes is accrued at 15% amounting to £39,960,000 redeemable on 31 December 2015 at par value.

Non-controlling loan notes of £2,067,000 have been issued and is repayable at par on 31 December 2015. Interest is accrued at 15% amounting to £552,000 redeemable on 31 December 2015.

23. Parent undertaking

As at 31 December 2012, the Group's parent company is RB Investments 1 Limited, a nominee company, which holds the beneficial ownership of the Group for the RBS Special Opportunities Fund. RB Investments 1 Limited's, ultimate parent is The Royal Bank of Scotland Group plc. RB Investments 1 Limited is incorporated in Great Britain and registered in England and Wales. The Royal Bank of Scotland Group plc is incorporated in Great Britain and registered in Scotland.

Arrow Global Guernsey Holdings Limited is the Parent Company and controlling party of the Group and represents the largest Group into which the accounts of the Group are consolidated for the year ended 31 December 2012. In the opinion of the directors the ultimate holding company of the Group is Arrow Global Guernsey Holdings Limited.

24. Deferred consideration

Payable to individual minority shareholder

Provision is made for contingent deferred consideration which was payable in 2012 and is based on the financial performance of certain portfolios in individual calendar years. This is payable to individual minority shareholders of the Group. The total minimum undiscounted amount payable is £nil (2011: £1,065,000). Estimates of future performance have been made and the liability discounted to reflect the expected payment.

Year ended 31 December 2012:

	Payable to individual non-controlling shareholders £000
Opening provision as at 1 January 2012	1,065
Payment during the year	(1,065)
Closing provision as at 31 December 2012	**—**

24. Deferred consideration (continued)

Year ended 31 December 2011:

	Payable to individual minority shareholders £000
Opening provision as at 1 January 2011	2,464
Payment during the year	(1,440)
Adjustment to carrying value	41
Closing provision as at 31 December 2011	**1,065**

As at 31 December 2012:

	Payable to individual non-controlling shareholders £000
Included in current liabilities	—
Included in non-current liabilities	—
Closing provision as at 31 December 2012	**—**

Year ended 31 December 2011:

	Payable to individual non-controlling shareholders £000
Included in current liabilities	1,065
Included in non-current liabilities	—
Closing provision as at 31 December 2011	**1,065**

25. Post balance sheet events

In January 2013, Arrow Global Finance plc, a public limited company was incorporated and issued a bond for £220,000,000 of senior secured notes. The proceeds of the bond were used for the repayment of existing liabilities with residual cash of £40m for use in operating activities.

Arrow Global Guernsey Holdings Limited
Year Ended 31 December 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARROW GLOBAL GUERNSEY HOLDINGS LIMITED

We have audited the financial statements of Arrow Global Guernsey Holdings Limited for the year ended 31 December 2011 which comprise the Consolidate Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, Consolidated and Parent Company Statement of Changes in Equity, Consolidated and Parent Company Statement of Cash Flow and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. 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, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and parent company's affairs as at 31 December and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP
Chartered Accountants
Manchester

29 March 2012

Arrow Global Guernsey Holdings Limited
Year Ended 31 December 2011

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2011

	Notes	Group Year Ended 31 December 2011 £000	Group Year Ended 31 December 2010 £000
Continuing operations			
Revenue			
Income from purchased loan portfolios	13	47,493	17,962
Portfolio write up	5,13	816	5
(Loss)/profit on portfolio and loan note sales		(25)	1,632
		48,284	19,599
Interest income and profit on disposal of secured loan notes	13	154	437
Interest income	6	1	4
Income from asset management		1,447	—
Total revenue		**49,886**	**20,040**
Operating expenses			
Collection activity costs		(18,152)	(6,902)
Professional fees and services		(3,243)	(1,261)
Other expenses	9	(7,150)	(6,004)
Total operating expenses		**(28,545)**	**(14,167)**
Operating profit		**21,341**	**5,873**
Shareholder interest expense	7	(10,979)	(7,761)
Interest expense	7	(4,153)	(121)
Profit/(loss) before tax		**6,209**	**(2,009)**
Taxation charge on ordinary activities	10	(2,006)	(45)
Profit/(loss) for the year attributable to equity shareholders		**4,203**	**(2,054)**
Foreign exchange translation difference arising on revaluation of foreign operations		(291)	(10)
Total comprehensive income/(expenditure) for the year attributable to equity shareholders		**3,912**	**(2,064)**

The notes on pages F-84 to F-104 form part of these financial statements.

Consolidated and Parent Company Balance Sheets as at 31 December 2011

	Notes	Group 31 December 2011 £000	Company 31 December 2011 £000	Group 31 December 2010 £000	Company 31 December 2010 £000
Assets					
Non-current assets					
Goodwill	11	1,968	—	1,968	—
Other intangible assets	12	1,719	—	156	—
Property, plant & equipment	12	403	—	472	—
Purchased loan portfolios	13	114,883	—	48,280	—
Secured loan notes	13	—	—	255	—
Due from subsidiary undertakings	19	—	24,861	—	23,735
Investment in subsidiary undertakings	20	—	14,584	—	14,584
Total non-current assets		**118,973**	**39,445**	**51,131**	**38,319**
Current assets					
Cash and cash equivalents		6,440	62	4,681	1,882
Other receivables	14	5,793	474	1,415	4
Derivative asset	21	116	116	—	—
Purchased loan portfolios	13	35,122	—	14,155	—
Deferred tax asset		139	—	—	—
Secured loan notes	13	—	—	161	—
Due from subsidiary undertakings	19	—	58,243	—	20,959
Total current assets		**47,610**	**58,895**	**20,412**	**22,845**
Total assets		**166,583**	**98,340**	**71,543**	**61,164**
Equity					
Share capital	17	10	10	10	10
Share premium	17	3	3	6	6
Retained earnings/(deficit)		3,456	(25,072)	(747)	(13,752)
Translation reserve		(459)	—	(168)	—
Total equity attributable to shareholders		**3,010**	**(25,059)**	**(899)**	**(13,736)**
Liabilities					
Non-current liabilities					
Non-controlling interest loan	22	1,950	1,950	523	523
Deferred consideration	19,25	—	—	1,024	—
Bank loan	21	58,983	—	—	—
Shareholders' loan	16,22	91,703	91,703	55,725	55,725
Total non-current liabilities		**152,636**	**93,653**	**57,272**	**56,248**
Current liabilities					
Trade and other payables	15	7,697	91	6,311	1,957
Derivative liability	21	—	—	373	373
Deferred consideration	19,25	1,065	—	1,440	—
Current tax liability		2,175	—	19	—
Bank loan	22	—	—	7,027	7,027
Due to subsidiary undertakings	19	—	29,655	—	9,295
Total current liabilities		**10,937**	**29,746**	**15,170**	**18,652**
Total liabilities		**163,573**	**123,399**	**72,442**	**74,900**
Total equity and liabilities		**166,583**	**98,340**	**71,543**	**61,164**

The notes on pages F-84 to F-104 form part of these financial statements.

Approved by the Board of Directors on 27/3/12, signed and authorised for issue on its behalf by:

Director Wayne Bulpitt ....

Guernsey Registered No. 49541

Consolidated and Parent Company Statement of Changes in Equity for the Year Ended 31 December 2011

Group	A Ordinary shares £000	B Ordinary shares £000	Share premium £000	Retained earnings £000	Translation reserve £000	Total £000
Balance at 31 December 2009	**9**	**1**	**6**	**1,307**	**(158)**	**1,165**
Loss for the year	—	—	—	(2,054)	—	(2,054)
Exchange differences	—	—	—	—	(10)	(10)
Total comprehensive expenditure for the year	**—**	**—**	**—**	**(2,054)**	**(10)**	**(2,064)**
Balance at 31 December 2010	**9**	**1**	**6**	**(747)**	**(168)**	**(899)**
Profit for the year	—	—	—	4,203	—	4,203
Exchange differences	—	—	—	—	(291)	(291)
Total comprehensive income for the year	**—**	**—**	**—**	**4,203**	**(291)**	**3,912**
Redemption of shares	—	—	(3)	—	—	(3)
Balance at 31 December 2011	**9**	**1**	**3**	**3,456**	**(459)**	**3,010**

Company	A Ordinary shares £000	B Ordinary shares £000	Share premium £000	Retained earnings £000	Total £000
Balance at 31 December 2009	**9**	**1**	**6**	**(6,690)**	**(6,674)**
Total comprehensive expenditure for the year	**—**	**—**	**—**	**(7,062)**	**(7,062)**
Balance at 31 December 2010	**9**	**1**	**6**	**(13,752)**	**(13,736)**
Loss for the year	—	—	—	(11,320)	(11,320)
Total comprehensive expenditure for the year	**—**	**—**	**—**	**(11,320)**	**(11,320)**
Redemption of shares	—	—	(3)	—	(3)
Balance at 31 December 2011	**9**	**1**	**3**	**(25,072)**	**(25,059)**

The notes on pages F-84 to F-104 form part of these financial statements.

Arrow Global Guernsey Holdings Limited
Year Ended 31 December 2011

Consolidated and Parent Company Statement of Cash Flow for the Year Ended 31 December 2011

	Notes	Group Year Ended 31 December 2011 £000	Company Year Ended 31 December 2011 £000	Group Year Ended 31 December 2010 £000	Company Year Ended 31 December 2010 £000
Cash flows from operating activities					
Profit/(loss) before tax		6,209	(11,320)	(2,009)	(7,062)
Non-cash movements:					
Portfolio write up	13	(816)	—	(5)	—
Income on purchased loan portfolios	13	(47,493)	—	(17,962)	—
Depreciation and amortisation	12	283	—	244	—
(Increase)/decrease in other receivables		(4,378)	(470)	281	(4)
(Increase) in amounts due from subsidiary undertakings		—	(37,726)	—	(10,612)
Increase in PIK note interest		—	(685)	—	(624)
Increase in interest payable on shareholders' loans		10,979	10,979	7,761	7,761
Interest payable on bank and non-controlling interest loans		156	156	89	88
Increase in deferred consideration		41	—	173	—
Foreign exchange (gains)/losses		(336)	—	90	—
Loss/(profit) on disposal of purchased loan portfolios		25	—	(1,461)	—
Amortisation of legal acquisition fees on portfolios		57	—	59	—
Interest income and profit on disposal of secured loan notes	13	(154)	—	(730)	—
Deferred consideration adjustment/(paid) on purchased loan portfolios		400	—	(643)	—
Decrease in amounts due to subsidiary undertakings			(35,525)		(250)
Movement on fair values on derivatives	21	(489)	(489)	(320)	(320)
Increase/(decrease) in trade and other payables	15	1,386	(1,866)	3,560	1,902
Operating cash flows before cash movements		**(34,130)**	**(76,946)**	**(10,873)**	**(9,121)**
Payment of deferred consideration		(1,440)	—	(3,527)	—
Collections in the year	13	68,248	—	25,646	—
Cash from secured loan notes from third party	13	570	—	1,859	—
Proceeds from disposal of purchased loan portfolios		1,795	—	1,965	—
Cash generated by operations		**35,043**	**(76,946)**	**15,070**	**(9,121)**
Income taxes and overseas taxation paid		—	—	(1,001)	—
Net cash flow from operating activities		**35,043**	**(76,946)**	**14,069**	**(9,121)**
Cash flows from investing activities					
Purchase of property, plant and equipment	12	(112)	—	(265)	—
Purchase of intangible assets	12	(1,665)	—	—	—
Purchases of purchased loan portfolios	13	(109,744)	—	(29,613)	—
Net cash flow from investing activities		**(111,521)**	**—**	**(29,878)**	**(9,121)**
Cash flows from financing activities					
Proceeds from additional loans		85,343	82,245	7,462	7,462
Redemption of loan notes and shares		(92)	(92)	—	—
Repayment of bank loan		(7,027)	(7,027)	—	—
Net cash flow from financing activities		**78,224**	**75,126**	**7,462**	**7,462**
Net increase in cash and cash equivalents		**1,746**	**(1,820)**	**(8,347)**	**(1,659)**
Cash and cash equivalents at beginning of year		**4,681**	**1,882**	**13,038**	**3,541**
Effect of exchange rates on cash and cash equivalents		13	—	(10)	—
Cash and cash equivalents at end of year		**6,440**	**62**	**4,681**	**1,882**

The notes on pages F-84 to F-104 form part of these financial statements.

1. General information

At 31 December 2011, Arrow Global Guernsey Holdings Limited was the Ultimate Parent Company of the Group. The Company's subsidiaries (collectively the ''Group'') are Batchblock Limited (100% Company), Arrow Global Guernsey Limited (100% Company), Arrow Global (Holdings) Limited (100% Batchblock Limited), Arrow Global Limited (100% Arrow Global (Holdings) Limited), Arrow Global Receivables Management Limited (100% Arrow Global (Holdings) Limited), Arrow Global Portugal Limited (100% Arrow Global (Holdings) Limited), Arrow Global SPV Limited (100% Arrow Global (Holdings) Limited), Strzala Sp. z o.o. (99% Arrow Global (Holdings) Limited, 1% Arrow Global Limited), Arrow Global Debt Limited (100% Company), Arrow Global Debt No. 1 Limited (100% Arrow Global Debt Limited), Arrow Global Debt No. 2 Limited (100% Arrow Global Debt Limited), Arrow Global Debt No. 3 Limited (100% Arrow Global Debt Limited) and Arrow Global Guernsey Management Limited (100% Arrow Global Debt Limited).

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. The Group enters into contractual servicing agreements with other third parties to collect the receivables, to administer and disburse the proceeds of the receivables, and to take other actions as may be necessary to fully effectuate the terms of the articles of association.

2. Adoption of new and revised standards

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2011 but do not have any impact on the Group:

Amendment to IFRS 1 (January 2010), 'Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters';

International Accounting Standards ('IAS') 24 (revised November 2009) 'Related Party Disclosures';

Amendment to IAS 32 (October 2009) 'Classification of Rights Issues';

Improvements to IFRSs 2010 (May 2010);

Amendments to IFRIC 14 (November 2009) 'Prepayments of a Minimum Funding Requirement'; and

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'.

The following standards, interpretations and amendments to existing standards are not yet effective and have not been early adopted by the Group:

IFRS 7 (amendment) 'Disclosures—offsetting financial assets and financial liabilities';

IFRS 7 (amendment) 'Disclosures—transfers of financial assets';

IFRS 9 'Financial instruments'. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not yet applicable until 1 January 2015 and has not yet been endorsed by the EU, however, is available for early adoption. The Group is in the process of assessing IFRS 9's full impact.

IFRS 10 'Consolidated Financial Statements';

IFRS 13 'Fair value measurements';

IAS 1 (amendment) 'Presentation of items of other comprehensive income';

IAS 12 (amendment) 'Deferred tax: recovery of underlying assets';

IAS 19 (revised) 'Employee benefits';

IAS 27 (revised) 'Separate Financial Statements'; and

IAS 32 (amendment) 'Offsetting financial assets and financial liabilities'.

3. Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with EU IAS Regulation.

The Financial Statements of the Group and the Company have been prepared under the historical cost convention other than the fair value of derivative contracts.

Going concern

The financial statements have been prepared under the going concern basis, which the Directors believe to be appropriate. The Directors are satisfied that the Group has adequate resources to continue to trade for the foreseeable future and the going concern basis continues to be appropriate for preparing the financial statements. In making this assessment, detailed trading forecasts have been prepared which support the going concern assumptions in being applied. The decline in the economic climate has seen increased amounts of charged-off, unsecured debt being placed into the marketplace by large financial institutions and this trend looks set to continue for the foreseeable future. This presents an opportunity for the Group to acquire portfolios of debt during this time for purchase considerations significantly lower than the debt's face value.

During the year, the Group undertook external financing from The Royal Bank of Scotland PLC and West LB for a total available revolving credit facility of £80,000,000 with a termination date of September 2014. Forecasts until this date show that all covenants related to the facility are expected to be complied with.

The Company did not generate any cash or revenue of its own as its activities remain that of a holding Company. The principal liabilities of the Group relate to the shareholder loan of £91,703,000 which is not repayable until 2015. The shareholder of the Company owns 100% of the assets and liabilities of the Group and manages its exposure at a Group level, not at a Company level.

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 each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase 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 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

3. Significant accounting policies (continued)

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. 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.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

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 pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

In accordance with IAS 39, paragraph 9, the Company recognises revenue from purchased loan portfolios using the effective interest method. The effective interest 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 effective interest rate is the rate that exactly discounts estimated future purchased portfolio cash receipts through the expected life of the purchased portfolio asset. When a portfolio is purchased, the portfolio is held at cost for the first 12 months. Subsequently, the Company estimates monthly future cash flows for each portfolio and calculates the effective interest rate for the portfolios expected economic life. When an individual portfolio's carrying value is completely recovered, the Company recognises any subsequent collections as income. Estimates of cash flows that determine the effective interest rate are established for each purchased portfolio over 12 months old and are based on the Company's collection history with respect to portfolios comprising similar attributes and characteristics such as date of purchase, original credit grantor, and type of receivable, customer payment histories, customer location and time since original charge-off.

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 twelve months after the balance sheet date. The residual amount is classified as non-current.

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. The right to receive such revenue is measured in reference to services rendered based on the stage of completion, regardless of milestone payments received.

3. Significant accounting policies (continued)

Impairment of purchased loan portfolios

The portfolios are reviewed for any possible indications of impairment at the balance sheet date in accordance with IAS 39. Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio. If the forecast portfolio collections exceed initial estimates, a portfolio basis adjustment is recorded as an increase to the carrying value of the portfolio and is included in income from purchased loan portfolios. Where portfolios have been newly acquired, the Company identifies 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 post acquisition date.

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 13). Interest income is recognised throughout the year.

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 currencies

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 are 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 period in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks.

For the purpose of presenting 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 period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in the Consolidated Statement of Changes in Equity.

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.

3. Significant accounting policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit/ (loss) for the period. Taxable profit/(loss) differs from profit/(loss) as reported in the Consolidated Statement of Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's asset or liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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. The Group has not recognised a deferred tax asset in the period in respect of losses carried forward (see note 10).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Property, plant and equipment and other intangibles

Fixtures and equipment 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 (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method on the following bases:

Furniture	5 years
Computer equipment and software	3 years
Leasehold improvements	5 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 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 licenses are capitalised at cost and amortised over the shorter of contractual life and useful economic life.

Financial assets

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 effective interest method less any impairment.

3. Significant accounting policies (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and in conjunction with the application of IFRS. The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or they expire. Financial liabilities are held at amortised cost.

Investment in subsidiaries

Fixed asset investment is stated at cost less any provision for impairment.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

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 are allocated to the purchase price of the portfolio with the effective interest rate 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.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the Directors have 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.

Revenue recognition

The Group makes estimates of the anticipated future return on its purchased loan portfolios when calculating the revenue from the portfolios acquired in the year. In determining the anticipated future return on its portfolios, the Company prepares cash flow projections to calculate an effective interest rate to generate the yield income. Actual cash flows will vary from projected cash flows.

Periodic impairment reviews are performed to assess the accuracy of the original cash flow projections by estimating future cash collections based on a probability of payment on the remaining asset book. The net present value of the forecast cash collections using the initially determined effective interest rate is assessed against the carrying value of the asset with any adjustment taken to the income statement.

5. Profit/(loss) for the year

	Year ended 31 December 2011 £000	Year Ended 31 December 2010 £000
Profit/(loss) for the year has been arrived at after charging/(crediting):		
Net foreign exchange (gains)/losses	(336)	90
Operating lease—properties	205	205
Portfolio write up	(816)	(5)
Depreciation and amortisation	283	244

6. Interest income

	Year ended 31 December 2011 £000	Year Ended 31 December 2010 £000
Bank interest	1	4

7. Interest expense

	Year ended 31 December 2011 £000	Year Ended 31 December 2010 £000
Interest on minority interest loans	156	63
Interest on deferred consideration	—	58
Interest on bank loans	3,997	—
Shareholder interest expense	10,979	7,761
	15,132	7,882

8. Auditor remuneration

	Year ended 31 December 2011 £000	Year Ended 31 December 2010 £000
The analysis of auditor remuneration is as follows:		
Fees payable for audit services—Company	20	20
Fees payable for audit services for subsidiaries	65	64
Total fees payable for audit services	**85**	**84**
Fees payable for tax compliance	31	30
Fees payable for tax advisory services	129	42
Fees payable for other assurance services	17	—
Fees payable for other non-audit work	46	—
Total fees payable for non-audit services	**223**	**72**
	308	**156**

9. Staff costs and other operating expenses

	Year ended 31 December 2011 £000	Year Ended 31 December 2010 £000
Wages, bonuses and salaries	4,098	2,803
Payments for termination of employment of key management	546	125
Payments for termination of employment of employees	33	103
Pension costs	110	78
Social security costs	502	244
	5,289	3,353

The average monthly number of employees (including executive Directors) was 68 (2010: 52). The total Director's remuneration paid during the year was £602,000 (2010: £673,000). The remuneration of the highest paid Director during the year was £285,000 (2010: £250,000).

The average monthly number of employees are analysed below:

	Year ended 31 December 2011 number	Year Ended 31 December 2010 number
Data and Systems	30	22
Collections	24	20
Management	8	5
Finance	6	5
	68	52

9. Staff costs and other operating expenses (continued)

Other operating expenses are as follows:

	Year ended 31 December 2011 £000	Year Ended 31 December 2010 £000
Employee	5,289	3,353
Other staff costs	365	523
Premises	571	604
IT	660	539
Other	265	985
	7,150	6,004

10. Tax

The Group's entities incorporated in Guernsey are taxed at 0%. Corporation tax is payable in respect of the Group's entities in the UK and Poland, of which the UK's activities are more predominant. The analysis below therefore uses the UK rate of corporation tax. The effective tax rate for the year ended 31 December 2011 is higher (2010: lower) than the standard rate of corporation tax in the UK at 26.5% (2010: 28%), the differences are as follows:

	Year ended 31 December 2011 £000	Year Ended 31 December 2010 £000
Profit/(loss) before tax	6,209	(2,009)
Tax charge/(credit) at standard UK corporation tax rate of 26.5% (2010: 28%)	1,645	(563)
Adjustment in respect of prior years	(4)	—
Current years loss utilisation	(1,064)	(1,206)
Expenses not deductible for tax purposes	58	76
Capital allowances in excess of depreciation	(13)	6
Short term timing differences	(6)	119
Differing overseas tax rates	1,529	1,613
Tax charge	**2,145**	**45**
Effective tax rate relating to continuing operations	**34.5%**	**(2.2%)**

	Year ended 31 December 2011 £000	Year Ended 31 December 2010 £000
Tax charge for the year ended 31 December 2011 consists of:		
Current tax charge:		
UK and foreign corporation tax at 26.5% based on profit for the year	2,145	45
Total current tax charge	**2,145**	**45**
Deferred tax credit:		
Origination and reversal of temporary differences	(139)	—
Total tax charge	**2,006**	**45**

10. Tax (continued)

The Group has not recognised a deferred tax asset in respect of £249,000 (2010: £249,000) of tax losses carried forward. These losses are available for offset against future trading profits and have no expiry date.

11. Goodwill

Cost and Net Book Value	Total £000's
At 1 January 2011 and 31 December 2011	1,968

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The Group has considered the cash generating unit (''CGU'') that supports the purchased goodwill, and the recoverable amount of this CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate and forecast cash flows during the period. 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 CGU. The rate used to discount the forecast cash flows from this CGU is 10% (2010: 10%). At the beginning and end of the financial period the fair value of goodwill was substantially in excess of its book value and therefore management deem it reasonable not to impair the carrying amount of goodwill.

12. Property, plant and equipment and intangible assets

	Leasehold improvements £000	Computer equipment £000	Furniture £000	Total property, plant and equipment £000	Software licenses £000	Total intangible assets £000
Cost						
At 1 January 2011	**331**	**232**	**116**	**679**	**288**	**288**
Additions	15	51	46	112	1,665	1,665
At 31 December 2011	**346**	**283**	**162**	**791**	**1,953**	**1,953**
Accumulated depreciation						
At 1 January 2011	**87**	**97**	**23**	**207**	**132**	**132**
Charge for the year	77	75	29	181	102	102
At 31 December 2011	**164**	**172**	**52**	**388**	**234**	**234**
Carrying amount						
At 31 December 2011	**182**	**111**	**110**	**403**	**1,719**	**1,719**
At 31 December 2010	**244**	**135**	**93**	**472**	**156**	**156**

13. Financial assets

For the year ended 31 December 2011:

	Current £000	Non-current £000	Total £000
Purchased loan portfolios	34,983	114,206	149,189
Portfolio write up	139	677	816
	35,122	**114,883**	**150,005**

13. Financial assets (continued)

For the year ended 31 December 2010:

	Current £000	Non-current £000	Total £000
Purchased loan portfolios	14,232	48,198	62,430
Portfolio write up	(77)	82	5
	14,155	48,280	62,435
Secured loan notes	161	255	416
	14,316	**48,535**	**62,851**

Secured loan notes

At 31 December 2011, secured loan notes of £nil (2010: £416,000) existed with third parties to provide capital to purchase under-performing consumer debt portfolios. The secured loan notes comprise of secured senior and secured mezzanine notes which carry interest at rates based on the London Interbank Offered Rate (''LIBOR'') or the Euro Interbank Offered Rate (''EURIBOR'') are repayable in monthly instalments and mature between 22 May 2016 and 12 December 2017. The secured loan notes are secured by the loans within the acquired consumer debt portfolios. Interest income and profit on disposal of loan notes during the year ended 31 December 2011 was £154,000 (2010: £437,000). Cash collected in the year relating to loan notes was £570,000 (2010: £1,859,000).

Purchased loan portfolios

The Group recognises income from purchased loan portfolios in accordance with IAS 39. At 31 December 2011, the carrying amount of the purchased loan portfolio asset was £150,005,000 (2010: £62,435,000).

The movements in purchased loan portfolio assets were as follows:

	2011 £000	2010 £000
As at the beginning of the year	62,435	40,511
Portfolios acquired during the year	109,744	30,256
Collections in the year	(68,248)	(25,646)
Income from purchased loan portfolios	47,493	17,962
Deferred consideration on portfolio acquisition in the year	(400)	—
Exchange loss on purchased loan portfolios	42	(90)
Amortisation of legal acquisition fees on portfolios	(57)	(59)
Disposal of purchased loan portfolios	(1,820)	(504)
Portfolio write up	816	5
As at 31 December	**150,005**	**62,435**

14. Other receivables and prepayments

	31 December 2011 £000	31 December 2010 £000
Prepayments	3,875	1,152
Other debtors	1,885	235
Deposits	33	28
	5,793	**1,415**

The Directors consider that the carrying amounts approximate to their fair value.

15. Trade and other payables

	31 December 2011 £000	31 December 2010 £000
Trade payables	2,587	1,716
Taxation and social security	221	13
Other liabilities and accruals	4,889	4,582
	7,697	**6,311**

The Directors consider that the carrying amounts approximate to their fair value.

16. Shareholder's loans

The Company has a nominal amount of £66,625,000 of £1 loan stock accruing interest at 15% per annum in issue. The loan stock and accrued interest are repayable at the earliest of the sale of the business or 31 December 2015.

As at 31 December 2011, there was £66,625,000 of loan stock in issue and accruing interest as follows:

	31 December 2011 £000	31 December 2010 £000
Loan received from shareholders	66,625	41,625
Interest accruing at 15% per annum	25,078	14,099
	91,703	55,725

The Directors consider that the carrying amounts approximate to their fair value.

17. Share capital

The share capital of the Company is unlimited. For the period from incorporation the Company issued 10,252 Ordinary shares for a total consideration of £16,366 giving rise to a share premium of £6,364, of which £2,937 was redeemed during the year, and:

	31 December 2011 £	31 December 2010 £
Issued and fully paid:		
'A' Ordinary Shares of £1 each	9,002	9,002
'B' Ordinary Shares of £1 each	1,000	1,000
'C' Ordinary Shares of £1 each	200	—
'D' Ordinary Shares of £1 each	50	—
	10,252	10,002

The Company's ordinary shares carry no right to fixed income. Each 'A' ordinary share shall rank equally for any dividends paid thereon which shall be paid pro rata to the issue price of each 'A' ordinary share. A dividend may be paid on the 'B' ordinary share at the direction of the board subject to the prior written consent of the majority of 'A' ordinary shareholders having been obtained. Each 'B' ordinary share shall rank equally for any dividends paid thereon which shall be paid pro rata to the issue price of each 'B' ordinary share. Every holder of A ordinary share who is present in person or by proxy shall have one vote for every share.

18. 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:

	31 December 2011 £000	31 December 2010 £000
Less than 1 year	189	235
1-2 years	189	235
2-5 years	362	362
	740	832

Operating lease payments represent rentals payable by the Group for certain of its office properties.

19. Related party transactions

Group

As at 31 December 2011:

	RB Investments 1 £000	Deferred consideration £000	Non-controlling interest loan £000	Total £000
Non-controlling interest loan	—	—	(1,950)	(1,950)
Shareholders loans	(91,703)	—	—	(91,703)
Amounts due to related parties	—	(1,065)	—	(1,065)
	(91,703)	(1,065)	(1,950)	(94,718)

As at 31 December 2010:

	RB Investments 1 £000	Deferred consideration £000	Non-controlling interest loan £000	Total £000
Non-controlling interest loan	—	—	(523)	(523)
Shareholders loans	(55,725)	—	—	(55,725)
Amounts due to related parties	—	(2,464)	—	(2,464)
	(55,725)	(2,464)	(523)	(58,712)

The non-controlling interest loan constitutes secured loan notes issued to individual minority shareholders. The loan notes accrue interest under the same terms of the shareholder loan and are not repayable until 2015. Accrued interest during the year amounted to £156,000 (2010: £61,000).

Transactions with Directors and key managers

There were no material related transactions with Directors or key managers during the accounting period other than Director's emoluments and deferred consideration.

19. Related party transactions (continued)

Company

As at 31 December 2011:

	RB Investments 1 £000	Arrow Global Guernsey Limited £000	Batchblock Limited £000	Arrow Global Limited £000	Total £000
Shareholders loans	(91,703)	—	—	—	(91,703)
Intercompany receivables	—	56,103	2,140	—	58,243
Intercompany creditors	—	—	—	(29,655)	(29,655)
Related party PIK Notes	—	15,089	9,772	—	24,861
	(91,703)	**71,192**	**11,912**	**(29,655)**	**(38,254)**

As at 31 December 2010:

	RB Investments 1 £000	Arrow Global Guernsey Limited £000	Batchblock Limited £000	Arrow Global Limited £000	Total £000
Shareholders loans	(55,725)	—	—	—	(55,725)
Intercompany receivables	—	—	2,000	18,959	20,959
Intercompany creditors	—	(9,295)	—	—	(9,295)
Related party PIK Notes	—	14,405	9,330	—	23,735
	(55,725)	**5,110**	**11,330**	**18,959**	**(20,326)**

The amount owed to RB Investments 1 is in respect of loan notes issued by Arrow Global Guernsey Holdings Limited on 21 January 2009 for an amount of £41,625,000 and on 30 June 2011 for an amount of £25,000,000 with interest accruing at 15% per annum amounting to £10,979,000 (2010: £14,099,000).

The amount owed to Arrow Global Guernsey Limited is in respect of an intercompany loan. The amount due from Arrow Global Guernsey Limited is in respect of a loan note issued by Arrow Global Guernsey Holdings Limited on 21 January 2009 for an amount of £13,200,000 with interest accruing at 6 month LIBOR plus 3.5% amounting to £684,000 (2010: £624,000).

The amount due from Batchblock Limited is in respect of a loan note issued to Arrow Global Guernsey Holdings Limited on 21 January 2009 for an amount of £8,550,000 with interest accruing at 6 month LIBOR plus 3.5% amounting to £443,000 (2010: £403,000).

No other transactions occurred between the related parties, excluding those disclosed above.

20. Investments in subsidiary undertakings

Details of the Company's subsidiaries at 31 December 2011 are as follows:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest (%)	Parent Company
Arrow Global Guernsey Limited	Guernsey	100	AGGHL
Batchblock Limited (BBL)	United Kingdom	100	AGGHL
Arrow Global (Holdings) Limited (AG(H)L)	United Kingdom	100	BBL
Arrow Global Limited (AGL)	United Kingdom	100	AG(H)L
Arrow Global Receivables Management Limited	United Kingdom	100	AG(H)L
Arrow Global SPV Limited	United Kingdom	100	AG(H)L
Arrow Global Portugal Limited (AGPL)	United Kingdom	100	AG(H)L
Strzala Sp. z o.o.	Poland	100	AG(H)L/AGL
Arrow Global Debt Limited	Guernsey	100	AGGHL
Arrow Global Debt No. 1 Limited	Guernsey	100	AGDL
Arrow Global Debt No. 2 Limited	Guernsey	100	AGDL
Arrow Global Debt No. 3 Limited	Guernsey	100	AGDL
Arrow Global Debt No. 4 Limited	Guernsey	100	AGDL

	Batchblock Limited £000	Arrow Global Guernsey Limited £000	Total £000
At 1 January 2011 and 31 December 2011	5,784	8,800	14,584

The investments in subsidiaries are all stated at cost.

21. Financial Instruments

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, market risk and liquidity risk that arises throughout the normal course of the Group's business.

Fair values

The Directors consider that there are no material differences between the financial asset values in the Consolidated Balance Sheet and their fair value.

Credit risk

Credit risk is considered upon the acquisition of a portfolio and loan notes by assessing the expected return. The Group manages this risk by monitoring the performance of the loan notes and portfolio throughout its economic life. Cash collections made on a loan notes and portfolio are continually monitored and the carrying value of the asset is impaired where it is deemed that the asset is underperforming.

21. Financial Instruments (continued)

The maximum credit risk exposure in relation to the financial assets is disclosed below:

Consolidated Balance Sheet

	31 December 2011 £000	31 December 2010 £000
Purchased loan portfolio	150,929	62,435
Cash and cash equivalents	6,440	4,681
Secured loan notes	—	416
Derivative asset	116	—
	157,485	**67,532**

The Group's principal activity is the acquisition and management of underperforming portfolios of loans. All purchased portfolios are, by their nature, significantly past due and impaired upon acquisition. No additional collateral is held in respect of the portfolios. The Group performs impairment reviews periodically.

All purchased loan portfolios are disclosed 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. All secured loan notes are disclosed at amortised cost. Impairment is assessed on a regular basis by management and is identified on a loan basis following evidence that the financial asset is impaired.

Liquidity risk

The Group actively monitors its liquidity and cash flow position to ensure it has sufficient cash and purchased loan portfolio financing in order to fund its activities. The management team monitor cash through daily reporting, the management accounts and periodic review meeting. The table below includes both interest and principal cash flows:

As at 31 December 2011:

	Within 1 year £000	1 to 2 years £000	2-5 years £000	Total £000
Amounts due to:				
Non-interest bearing				
Trade and other payables	7,715	—	—	7,715
Deferred consideration	1,065	—	—	1,065
Interest bearing				
Non-controlling interest loan	—	—	2,633	2,633
Bank loan	—	—	62,015	62,015
Shareholder loan note	—	—	123,829	123,829
Total	**8,780**	**—**	**188,477**	**197,257**

21. Financial Instruments (continued)

As at 31 December 2010:

	within 1 year £000	1 to 2 years £000	above 2 years £000	Total £000
Amounts due to:				
Non-interest bearing				
Trade and other payables	6,311	—	—	6,311
Deferred consideration	1,440	1,024	—	2,464
Interest bearing				
Non-controlling interest loan	—	—	702	702
Bank loan	7,199	—	—	7,199
Shareholder loan note	—	—	75,216	75,216
Total	**14,950**	**1,024**	**75,918**	**91,892**

Market risk

Market risk is the risk that there is a decreased availability of distressed debt which consequently increases the market price at which portfolios can be acquired. In the event of the economy experiencing growth, there is the risk that debtors will have an increased ability to meet their obligations and repay an increased amount of debts originally undertaken. Current market conditions suggest this does not represent a significant risk for the foreseeable future. Furthermore, an improvement in macroeconomic conditions will result in an increased likelihood of previously distressed debt being recovered.

Interest rate risk

The Group is exposed to interest rate risk during the period on the purchased loan portfolio financing, related party loans, PIK loan note financing and cash and cash equivalents. The recoverability of debts may be influenced by movements in the interest rate environment. The Group have an interest rate risk swap in place for a notional amount of £60,000,000.

Interest rate sensitivity analysis

If interest base rates had been 0.5 per cent higher/lower and all other variables were held constant, the Groups' loss for the year ended 31 December 2011 would decrease/increase by £38,000 (2010: £23,000). This is attributable to the Group's exposure to interest on its cash and cash equivalents;

If LIBOR rates had been 0.25 per cent higher/lower and all other variables were held constant, the Group's loss for the period ended 31 December 2011 would decrease/increase by £101,000 (2010: £18,000). This is attributable to the Group's exposure to interest on its rolling credit facility.

Foreign currency risk

The Group is exposed to foreign exchange currency risk on purchased loan portfolios, secured loan notes, cash and cash equivalents and its transactions with other related parties. The risk of this exposure is reduced using forward foreign exchange contracts.

21. Financial Instruments (continued)

Foreign currency sensitivity analysis

If foreign exchange rates had been 10 per cent higher than those at the balance sheet date and all other variables were held constant, the Group's net assets for each denomination of currency would increase/ (decrease) as follows:

	31 December 2011 £000	31 December 2010 £000
Currency		
Euro (EUR)	(595)	(534)
US Dollar (USD)	(4)	(19)
Polish Zloty (PLN)	(60)	(36)
	(659)	(589)

If foreign exchange rates had been 10 per cent lower than those at the balance sheet date and all other variables were held constant, the Group's net assets for each denomination of currency would increase/ (decrease) as follows:

	31 December 2011 £000	31 December 2010 £000
Currency		
Euro (EUR)	727	653
US Dollar (USD)	5	23
Polish Zloty (PLN)	74	44
	806	720

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of debt, cash and cash equivalents and equity.

The Group is not subject to any externally imposed capital requirements.

The 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 the 31 December 2011 was:

	31 December 2011 £000	31 December 2010 £000
Cash and cash equivalents	6,440	4,681
Ordinary shares	13	16
Shareholder loan notes (15% interest)	91,703	55,725

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.

21. Financial Instruments (continued)

In the current year, the Group has created certain forward contracts to mitigate its portfolio future cash flows in Poland and Portugal. The collection remittances are received in Polish Zloty and Euro's respectively. The Group has entered into the forward foreign exchange contracts (for terms provided in the table below) to mitigate the exchange rate risk arising from these anticipated future cash flows.

As at 31 December 2011, the aggregate amount of gains 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 £489,000 (2010: £320,000). It is anticipated that the cash flows will take place over the next three years for Portugal.

Outstanding contracts	Average exchange rate	Notional value 2011 £000	Maturity date	Fair value 2011 £000
Cash flow hedges				
Sell Euro				
European OTC Put GBP/Call EUR	1.154	1,361	31 Jan 2012	36
European OTC Put GBP/Call EUR	1.154	1,337	31 Jan 2013	31
European OTC Put GBP/Call EUR	1.154	1,148	31 Jan 2014	49
Balance sheet asset				**116**
Total gain recognised in Consolidated Statement of Comprehensive Income				**489**

Fair value hierarchy

Derivative financial instruments are initially recognised, and subsequently measured, at fair value. Level 1 fair value measurements are those where the value has been derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Of the above derivative contracts, the fair value asset of £116,000 (2010: liability of £373,000) has been determined as a Level 2 measurement. There have been no transfers in or out of Level 2.

Foreign exchange exposure

Arrow Global Guernsey Holdings Limited manages its foreign exchange exposure that arises from its Portugal portfolio income and is denominated in Euros. The Company has some assets denominated in the same currency as the foreign portfolio income, which should mitigate some of the foreign currency exchange rate risk on these operations.

The following table sets out the foreign exchange exposure of the financial assets and liabilities of the Polish business:

	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Current assets		
Cash and cash equivalents	6,440	48
Other debtors and tax assets	6,048	2,248
Current liabilities		
Trade and other payables	7,697	11

22. Borrowings

	31 December 2011 £000	31 December 2010 £000
Secured borrowing at amortised cost		
Bank loans (net of transaction fees of £2,205,000 (2010: £nil))	58,983	7,027
Shareholder loans	91,703	55,725
Non-controlling interest loan	1,950	523
	152,636	**63,275**
Total borrowings		
Amount due for settlement within 12 months	**—**	**7,027**
Amount due for settlement after 12 months	**152,636**	**56,248**

All amounts are denominated in GBP.

The revolving credit facility has a term out date of September 2013 and a termination date of September 2014. Interest on bank loans are repayable at 4% plus LIBOR up to the term out date and at 5% plus LIBOR after the term out date up until the termination date. The bank loan is repayable by the termination date and is secured against the portfolio assets of the Group. Monthly loan repayments are based on a percentage of the monthly collections that the facility is secured against. There are no fixed contractual repayment dates prior to the above dates.

Shareholder loan notes stock of £66,625,000 has been issued and is repayable at par on 31 December 2015. Interest on shareholder loan notes is accrued at 15% amounting to £25,078,000 redeemable on 31 December 2015 at par value.

Non-controlling loan notes stock of £1,747,000 has been issued and is repayable at par on 31 December 2015. Interest is accrued at 15% amounting to £203,000 redeemable on 31 December 2015.

23. Parent undertaking

As at 31 December 2011, the Group's parent company is RB Investments 1 Limited, a nominee company, which holds the beneficial ownership of the Group for the RBS Special Opportunities Fund. RB Investments 1 Limited's, ultimate parent is The Royal Bank of Scotland Group plc. RB Investments 1 Limited is incorporated in Great Britain and registered in England and Wales. The Royal Bank of Scotland Group plc is incorporated in Great Britain and registered in Scotland.

Arrow Global Guernsey Holdings Limited is the Parent Company and controlling party of the Group and represents the largest Group into which the accounts of the Group are consolidated for the year ended 31 December 2011. In the opinion of the directors the ultimate holding company of the Group is Arrow Global Guernsey Holdings Limited.

24. Contingent liabilities

A tax liability may exist with regard to the purchase of certain portfolios by Strzala Sp Z.o.o prior to the acquisition of the Company by the Group. However, the Directors followed normal practice and the legal advice received at the time. If a liability does exist in relation to the purchase of portfolios prior to the acquisition by the new owners, then the costs should be covered by the sale and purchase agreement.

In addition, there is a lack of specific guidance from the tax authorities, rulings or case law to base the calculation of any potential liability and the Directors consider it would be misleading to accrue any particular amount given the current circumstances. The maximum potential gross liability to the Group is £2,302,000 although the Directors consider that this is remote.

25. Deferred consideration

Payable to individual minority shareholder

Provision is made for contingent deferred consideration which is payable in 2011 and 2012 and is based on the financial performance of certain portfolios in individual calendar years. This is payable to individual minority shareholders of the Group. The total minimum undiscounted amount payable is £1,065,000 (2010: £2,464,000). Estimates of future performance have been made and the liability discounted to reflect the expected payment.

Year ended 31 December 2011:

	Payable to individual non-controlling shareholders £000	Total £000
Opening provision as at 1 January 2011	2,464	2,464
Payment during the year	(1,440)	(1,440)
Adjustment to carrying value	41	41
Closing provision as at 31 December 2011	**1,065**	**1,065**

As at 31 December 2011:

	Payable to individual non-controlling shareholders £000	Total £000
Included in current liabilities	1,065	1,065
Included in non-current liabilities	—	—
Closing provision as at 31 December 2011	**1,065**	**1,065**

Year ended 31 December 2010:

	Payable to individual non-controlling shareholders £000	Payable to vendor £000	Total £000
Opening provision as at 1 January 2010	4,174	1,645	5,819
Payment during the year	(1,882)	(1,645)	(3,527)
Adjustment to carrying value	172	—	172
Closing provision as at 31 December 2010	**2,464**	**—**	**2,464**

As at 31 December 2010:

	Payable to individual non-controlling shareholders £000	Total £000
Included in current liabilities	1,440	1,440
Included in non-current liabilities	1,024	1,024
Closing provision as at 31 December 2010	**2,464**	**2,464**

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Resolutions to reappoint Deloitte LLP as independent auditor of the Company will be proposed at the forthcoming annual general meeting.

20-22 Bedford Row
London
WC1R 4JS

By order of the board,

Rob Memmott
Director
Date: 24 April 2014

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 period ended 31 December 2013 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, statement of cash flows and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

David Heaton (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, UK

Date: 29 April 2014

Statement of comprehensive income
for period from incorporation to 31 December 2013

	Notes	Period ended 31 December 2013 £000
Revenue		**—**
Professional fees and services		(1,080)
Total operating expenses		**(1,080)**
Operating loss	*4*	**(1,080)**
Finance income and costs	*5*	1,917
Profit before tax		**837**
Taxation on ordinary activities	*8*	(229)
Profit for the year and total comprehensive expenditure attributable to equity shareholder		**608**

All revenue is derived from continuing operations in both the current and preceding years.

The notes on pages F-111 to F-115 form part of these financial statements.

Balance sheet at 31 December 2013

	Notes	31 December 2013 £000
Assets		
Current assets		
Cash and cash equivalents		2
Intercompany receivables	*10*	219,825
Total current assets and total assets		**219,827**
Equity		
Share capital	*9*	50
Retained earnings		608
Total equity attributable to shareholder		**658**
Liabilities		
Non-current liabilities		
Senior secured notes	*11*	213,165
Current liabilities		
Tax payable		229
Senior secured notes	*11*	5,775
Total current liabilities		**6,004**
Total liabilities		**219,169**
Total equity and liabilities		**219,827**

The notes on pages F-111 to F-115 form part of these financial statements.

Approved by the board of directors on 24/4/14, signed and authorised for issue on its behalf by

Rob Memmott
Director

Registered in England and Wales No: 05606576

Statement of changes in equity
for period from incorporation to 31 December 2013

	Share capital £000	Retained earnings £000	Total £000
Balance at 15 January 2013	—	—	—
Profit for the period	—	608	608
Total comprehensive income for the period	—	608	608
Issue of shares	50	—	50
Balance at 31 December 2013	**50**	**608**	**658**

The notes on pages F-111 to F-115 form part of these financial statements.

Statement of cash flow
for period from incorporation to 31 December 2013

	31 December 2013 £000
Cash flows from operating activities	
Profit before tax	837
Adjusted for:	
Increase in amounts due from subsidiary undertakings	(206,357)
Increase in interest on senior secured notes	10,203
Increase in intercompany interest receivable	(17,895)
Net cash used in operating activities	**(213,213)**
Cash flows from financing activities	
Proceeds from issued share capital	50
Proceeds from senior secured notes (net of fees)	213,165
Net cash used in financing activities	**213,215**
Net increase in cash and cash equivalents	2
Cash and cash equivalents at beginning of period	—
Cash and cash equivalents at end of period	**2**

The notes on pages F-111 to F-115 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 F-105. 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, amendments to standards and interpretations are mandatory for the first time for the financial year beginning from 1 January 2013 and do not have any material impact on the Company:

IFRS 7 (amendment) 'Disclosures—Offsetting Financial Assets and Financial Liabilities' amended the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendment does not have a significant impact on profit or loss, financial position, or cash flows.

IFRS 13 'Fair value measurements' defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price), sets out in a single IFRS a framework for measuring fair value, and requires disclosures about fair value measurements. The Group's financial statements include appropriate disclosure. The quantitative impact is not material.

IAS 19 (revised) 'Employee benefits' revises several areas of IAS 19 to improve the transparency of financial reporting for employee benefits, particularly in respect of defined benefit schemes. The changes have no impact on the financial statements.

Improvements 2011 'Annual improvements to IFRSs: 2009-2011 cycle' sets out amendments to IFRSs and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. The amendments did not impact the financial statements.

The following standards, interpretations and amendments to existing standards are not yet effective and have not been early adopted by the Group:

IFRS 9 'Financial instruments' is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. This IFRS is to be applied by the Group when it has EU endorsement. The Group is in the process of assessing the potential impact of this Standard on its consolidated financial statements but it is not expected to have a material impact on the financial statements.

IAS 32 (amendment) 'Offsetting Financial Assets and Financial Liabilities' added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. These amendments are to be applied for annual periods beginning on or after 1 January 2014.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the financial statements comply with EU IAS Regulation.

The financial statements of the Company have been prepared under the historical cost convention.

Going concern

As explained in detail in the directors' report on page 3, the directors continue to prepare the Company financial statements on a going concern basis. The directors are satisfied that the Company has adequate resources to continue to trade for the foreseeable future and the going concern basis

2. Adoption of new and revised standards (continued)

continues to be appropriate for preparing the financial statements. In making this assessment, detailed trading forecasts of the Company have been prepared which support the going concern assumptions in being applied.

The principal accounting policies adopted are set out below.

3. Significant accounting policies

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 period 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 income statement 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 income statement, 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 company 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 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 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 income statement, 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 fees. All operating costs are accounted for on an accruals basis.

Financial Instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

3. Significant accounting policies (continued)

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and in conjunction with the application of IFRS. The Company derecognises financial liabilities when the Company's obligations are discharged, cancelled or they expire. Financial liabilities are held at amortised cost.

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. Operating loss

There are no foreign exchange gains or losses.

5. Finance income and costs

	Year ended 31 December 2013 £000
Finance Income	
Interest on intercompany loans	17,895
Finance costs	
Interest on senior secured notes	(15,978)
	1,917

6. Staff numbers and cost

The Company has no employees. Directors' remuneration is borne by Arrow Global Limited and is not recharged.

7. Auditor remuneration

The analysis of auditor remuneration is as follows:

	Year ended 31 December 2013 £000
Fees payable for audit services in respect of the Company	5

No non-audit services were provided to the Company by the Company's auditor in the period.

8. Tax

The effective tax rate for the period ended 31 December 2013 is higher than the standard rate of corporation tax in the UK at 23.25%, the differences are as follows:

	Year ended 31 December 2013 £000
Profit before tax	837
Tax charge at standard UK corporation tax rate of 23.25%	195
Expenses not deductible for tax purposes	34
Tax charge	229
Effective tax rate	27.4%

The Finance Act 2013, which was substantively enacted in July 2013, included provisions to reduce the rate of UK corporation tax 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.

9. Share capital

	31 December 2013 £
50,000 ordinary shares of £1 each	50,000

The Company has one class of ordinary shares which carry no right to fixed income.

10. Related party transactions

As at 31 December 2013:

	Arrow Global Investments Holdings Limited £000	Arrow Global Limited £000	Total £000
Amounts due from related parties	54	219,771	219,825
Total	54	219,771	219,825

The amounts owed from Arrow Global Limited relate to trading balances and are repayable on demand. The balance is interest bearing.

The Company had the following reportable transactions with Arrow Global Limited and Arrow Global Investments Holdings Limited, related parties:

For the period ended 31 December 2013:

	Arrow Global Limited £000	Arrow Global Investment Holdings Limited £000	Total 2013 £000
Intercompany interest recharged	17,891	4	17,895

11. Borrowings

	31 December 2013 £000
Secured borrowings at amortised cost	
Senior secured notes (net of transaction fees of £6,835,000)	213,165
Senior secured notes interest	5,775
	218,940
Total borrowings	
Amounts due for settlement within 12 months	5,775
Amounts due for settlement after 12 months	213,165

On 29 January 2013, the Group issued £220 million of 7.875% senior secured notes due 2020 (the ''senior notes'').

The 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 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 senior notes are secured by substantially all of the assets of the Group. Interest is paid bi-annually.

12. Financial instruments

The key risks and uncertainties faced by the Company are managed within an established risk management framework. The Company's day to day working capital is funded by intercompany loans. The key risks identified for the Company are discussed below.

The Company has exposure to liquidity risk that arises throughout the normal course of the Company's business.

Fair Values

The directors consider that there are no material differences between the financial asset values in the balance sheet and their fair value.

Liquidity risk

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 balance sheet date:

	31 December 2013 £000
Amounts owed, due within one year:	
Tax payable	229
Senior secured notes	5,775
Amounts owed, due in more than one year:	
Senior secured notes	213,165
	219,169

13. 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.

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.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 30 June

	Note	Three months ended 30 June 2014 Underlying "Unaudited" £000	Exceptional items "Unaudited" £000	Three months ended 30 June 2014 including exceptionals "Unaudited" £000	Three months ended 30 June 2013 Underlying "Unaudited" £000	Exceptional items "Unaudited" £000	Three months ended 30 June 2013 including exceptionals "Unaudited" £000
Continuing operations							
Revenue							
Income from purchased loan portfolios	9	7,257	—	7,257	6,733	—	6,733
Portfolio write up/(down)	9	17	—	17	2,684	—	2,684
Portfolio impairment	9	(739)	—	(739)	(1,516)	—	(1,516)
Portfolio income		**6,535**	**—**	**6,535**	**7,901**	**—**	**7,901**
Income from asset management		1,156	—	1,156	1,314	—	1,314
Total revenue		**7,691**	**—**	**7,691**	**9,215**	**—**	**9,215**
Operating expenses							
Collection activity costs		3,694	—	3,694	3,097	—	3,097
Professional fees and services							
Non-recurring items							
Acquisition expense		—	371	—	—	—	—
		377	371	748	971	—	971
Non-recurring items							
Restructuring costs		—	—	—	—	94	—
Transformation project		—	116	—	—	221	—
Other operating expenses		3,160	116	3,276	3,234	315	3,549
Total operating expenses		7,231	487	7,718	7,302	315	7,617
Operating profit/(loss)		**460**	**(487)**	**(27)**	**1,913**	**(315)**	**1,598**
Finance income	4	6	—	6	24	—	24
Finance costs	4	(5,006)	—	(5,006)	(3,877)	—	(3,877)
Fair value gain/(loss) on interest rate swaps	4	132	—	132	655	—	655
Total finance income and costs		**(4,868)**	**—**	**(4,868)**	**(3,198)**	**—**	**(3,198)**
Loss before tax		**(4,408)**	**(487)**	**(4,895)**	**(1,285)**	**(315)**	**(1,600)**
Taxation (charge)/credit on ordinary activities	6	—	—	—	12	—	12
Loss for the period attributable to equity shareholders		**(4,408)**	**(487)**	**(4,895)**	**(1,273)**	**(315)**	**(1,588)**

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2014 "Unaudited" £000	31 March 2014 "Audited" £000	30 June 2013 "Unaudited" £000
Assets				
Non-current assets				
Intangible assets		30,722	29,568	25,366
Property, plant & equipment		4,846	4,966	1,429
Purchased loan portfolios	9	83,286	87,381	90,432
Derivative asset		409	453	502
Total non-current assets		**119,263**	**122,368**	**117,729**
Current assets				
Cash and cash equivalents		9,814	16,713	9,440
Other receivables		3,012	2,481	2,351
Purchased loan portfolios	9	26,894	28,981	31,158
Total current assets		**39,720**	**48,175**	**42,949**
Total purchased loan portfolios	*9*	*110,180*	*116,362*	*121,590*
Total assets		**158,983**	**170,543**	**160,678**
Equity				
Share capital		31	31	31
Share premium		6,235	6,235	5,863
Accumulated deficit		(38,373)	(33,244)	(16,620)
Dividends on preference shares		2,159	1,925	1,260
Total equity attributable to shareholders		**(29,948)**	**(25,053)**	**(9,466)**
Liabilities				
Non-current liabilities				
Loans	13	17,607	17,766	16,171
Unsecured loan notes	13	94,354	94,354	80,021
Derivative liability		206	382	746
Deferred tax liability		—	—	47
Total non-current liabilities		**112,167**	**112,502**	**96,985**
Current liabilities				
Trade and other payables	10	6,941	12,762	4,629
Loans	13	42,659	46,600	53,980
Interest on unsecured loan notes	13	27,164	23,732	14,550
Total current liabilities		**76,764**	**83,094**	**73,159**
Total liabilities		**188,931**	**195,596**	**170,144**
Total equity and liabilities		**158,983**	**170,543**	**160,678**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June

	Ordinary shares £000	Share premium £000	Accumulated deficit £000	Dividends on preference shares £000	Total £000
Balance at 1 April 2013 (audited)	**30**	**5,716**	**(14,846)**	**1,074**	**(8,026)**
Loss for the period	—	—	(1,588)	—	(1,588)
Total comprehensive loss for the period	—	—	(1,588)	—	(1,588)
Dividend on preference shares	—	—	(186)	186	—
Issue of shares	1	147	—	—	148
Balance at 30 June 2013 (unaudited)	**31**	**5,863**	**(16,620)**	**1,260**	**(9,466)**
Balance at 1 April 2014 (audited)	**31**	**6,235**	**(33,244)**	**1,925**	**(25,053)**
Loss for the period	—	—	(4,895)	—	(4,895)
Total comprehensive loss for the period	—	—	(4,895)	—	(4,895)
Dividend on preference shares	—	—	(234)	234	—
Balance at 30 June 2014 (unaudited)	**31**	**6,235**	**(38,373)**	**2,159**	**(29,948)**

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Period Ended 30 June 2014 "Unaudited" £000	Period Ended 30 June 2013 "Unaudited" £000
Cash flows from operating activities			
Adjusted for:			
Loss before tax		(4,895)	(1,600)
Collections in the period	9	15,441	13,968
Income from purchased loan portfolios	9	(7,257)	(6,733)
Portfolio write up	9	(17)	(2,684)
Portfolio impairment	9	739	1,516
Depreciation and amortisation		251	145
Finance income		(6)	(24)
Finance costs		5,006	3,877
Gain on fair values on derivatives		(132)	(655)
Operating cash flows before movement in working capital		**9,130**	**7,810**
(Increase)/decrease in other receivables		(471)	168
Increase/(decrease) in trade and other payables (excluding exceptional items disclosed in this statement)	10	(5,440)	813
Acquisition expenses (exceptional item)		(371)	—
Restructuring (exceptional item)		0	(94)
Transformation project (exceptional item)		(116)	(221)
Interest received		6	24
Cash generated by operations		**2,738**	**8,500**
Income taxes and overseas taxation paid		(60)	(5)
Net cash flow from operating activities before purchases of loan portfolios		**2,678**	**8,495**
Purchases of loan portfolios	9	(2,724)	(25,369)
Net cash used in operating activities		**(46)**	**(16,874)**
Investing activities			
Purchase of property, plant and equipment		(59)	(1,056)
Purchase of intangible assets		(1,231)	(83)
Proceeds from sale of property, plant and equipment		5	—
Net cash used in investing activities		**(1,285)**	**(1,139)**
Financing activities			
Proceeds of issued share capital		—	148
Proceeds from bank loans		6,385	20,282
Proceeds from loan notes		—	6,134
Repayment of bank loans		(10,790)	(8,825)
Repayment of other loans		(17)	—
Interest paid		(1,146)	(848)
Net cash flow generated by financing activities		**(5,568)**	**16,891**
Net (decrease)/increase in cash and cash equivalents		**(6,899)**	**(1,122)**
Cash and cash equivalents at beginning of period		**16,713**	**10,562**
Cash and cash equivalents at end of period		**9,814**	**9,440**

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Through its subsidiary companies, the Quest Topco Limited group (''the Group'') acquires certain pools of semi-performing and/or charged-off consumer loans pursuant to the terms of each specific purchase agreement. The Group enters into contractual servicing agreements with other third parties to collect the receivables and to administer and disburse the proceeds of the receivables.

The Group maintains a fiscal year commencing and ending each year on 1 April and 31 March, respectively. Unless otherwise specified, the unaudited interim condensed consolidated financial statements and all the amounts included in these notes are presented in thousands of British pounds (£).

These unaudited interim condensed consolidated financial statements are prepared for the purpose of the acquisition of the Group by Arrow Global Investment Holdings Limited. and included in the related offering memorandum prepared for the offering (''the offering memorandum'').

2. Accounting policies

Basis of preparation

The unaudited interim condensed consolidated financial statements for the three months ended 30 June 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting. The unaudited interim condensed consolidated financial statements should be read in conjunction with the Group's historical financial information for the three years ended 31 March 2014.

The quarterly results of the Group have been prepared under the historical cost convention other than the fair value of derivative contracts and the amortised cost value of portfolio assets.

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's historical financial information for the three years ended 31 March 2014 and are consistent with the accounting policies adopted in Arrow Global Group PLC's latest annual consolidated financial statements, being for the year ended 31 December 2013.

Adoption of new standards

The following standards were effective at 1 January 2014. There was no significant impact to the Group from the adoption of these standards.

Standard

IFRS 10 Consolidated financial statements

IFRS 11 Joint arrangements

IFRS 12 Disclosure of interests in other entities

IAS 27 (revised 2011) Separate financial statements

IAS 28 (revised 2011) Associates

Amendments to IFRS 10, 11 and 12 on transition guidance

Amendment to IAS 36 Impairment of assets on recoverable amount disclosures

Amendment to IAS 32 Financial instruments: Presentation of financial instruments asset and liability offsetting

Amendment to IAS 39 Financial instruments; Recognition and measurement on novation of derivatives and hedge accounting

IFRIC 21 Levies

In November 2009, as part of the phased project to replace IAS 39 'Financial Instruments: Recognition and Measurement', the IASB issued IFRS 9 'Financial Instruments; which reconsiders the classification and measurement of financial assets. This standard has not yet been endorsed by the EU. The Directors

2. Accounting policies (continued)

anticipate that the adoption of the above standards in future periods will have no material impact on the financial statements for the Group.

3. Principal risks

The Group has an enterprise-wide risk framework in place, which sits alongside the strategic business plan and is designed to support the identification, assessment, management and control of material risks that threaten the achievement of the Group's business objectives. Risks are categorised as: strategic risk, conduct risk, operational risk, financial risk and investment risk.

Risk	Definition	Effect on the Group	Approach
Strategic risk	Risk to earnings arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment.	Economic risk—The Group's growth strategy is based on the future purchase of, and collection from, distressed loan portfolios. Changes in economic conditions could impact the ability to collect from portfolios, or the amount of debt portfolios that are sold.	Management ensures that all portfolios are purchased at an appropriate price and also build strong relationships with the Group's creditor client base in order to mitigate such risks.
		Reputational risk—Negative attention and news regarding the debt collection industry and individual debt collectors may have a negative impact on ability to acquire portfolios and a customer's willingness to pay the debt that the Group acquires.	The Group manages this risk through compliance and industry best practice collection approaches.
Conduct risk	Risk of inappropriate strategy, systems, behaviour, or processes leads to poor and/or unfair customer outcomes or customer detriment.	Any action which leads to poor and/or unfair customer outcomes or customer detriment goes against the Group's core values and could also lead to regulatory censure, financial loss and reputational/brand damage.	Conduct risk and treating customers fairly (''TCF'') are at the heart of the Group's third party management framework. All employees and third parties acting on The group's behalf receive TCF training.
Operational risk	Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	Should the Group experience an inability to collect the Group could suffer financial loss.	The Group operates a disaster recovery programme and business continuity processes. The Group also completes internal audits to review systems and processes to reduce the risk of financial loss.

3. Principal risks (continued)

Risk	Definition	Effect on the Group	Approach
		The Group is also reliant on IT systems for data management and analysis.	IT systems are regularly backed up and are managed through a tight set of quality and security policies, supported by a robust disaster recovery plan.
	Regulatory risk—risk of failing to comply with the legal and regulatory requirements applying to business arrangements and activities, for example data protection regulation.	Failure to comply with relevant regulation could result in the suspension or termination of the Group's ability to conduct business and could lead to regulatory censure and financial loss.	The Group employs industry specialists to monitor the latest regulations and update the Group's internal policies accordingly. Where required the Group takes external specialist advice. The Group also engages in regular training and assurance activity to ensure compliance with internal policies.
	Legal risk—risk of documentation deficiencies within purchased portfolios that are unable to be mitigated through legal contract and/or warranties.	Exposure to remediation cost and further cases pursued by claims management companies.	Due diligence on prospective investment purchases to identify potential documentation weaknesses. The Group's legal team is involved in all purchases and external legal advice taken where required.
Financial risk	Market risk: the risk of losses in portfolios due to changes in the level of interest rates. Liquidity risk: the risk that the Group is unable to meet its obligations as they fall due. Credit risk: risk to earnings or capital arising when a counter-party defaults on its contractual obligations, including failure to perform obligations in a timely manner. Tax risk: tax compliance risks arise from the complex nature of tax legislation and practice.	The Group's financial risk management strategy is based upon sound economic objectives and corporate practices. The main financial risks concern the availability of funds to meet obligations as they fall due (liquidity risk) and movements in interest rates (interest rate risk).	Liquidity risk is managed through maintenance of a flexible cost base and establishment of borrowing facilities. The Group is highly cash generative and portfolio investment is discretionary. Management mitigate interest rate risk using swap contracts. The Group engages tax specialists to advise the Group regarding its tax compliance obligations and the application of tax legislation and practice to the transactions and activities undertaken by the Group.

3. Principal risks (continued)

Risk	Definition	Effect on the Group	Approach
Investment risk	The risk of returns adverse to forecast as a result of inadequate portfolio purchase analysis and consequent mispricing.	The statistical models and analytics used, including the calculation of Estimated Remaining Collections, may prove to be inaccurate, which could lead to poor decision making and the Group may fail to achieve its anticipated recoveries.	Rigorous change controls are in place prior to any new data influencing the Group's decision making model, and due diligence and executive review is carried out prior to investment. Portfolio performance is monitored by senior management.

4. Finance and income costs

	For the three months ended 30 June 2014 £000	For the three months ended 30 June 2013 £000
Finance income		
Bank interest	6	24
Finance costs		
Interest and similar charges on bank loans	(1,294)	(1,018)
Loan note interest	(3,432)	(2,367)
Amortisation of financing costs	(280)	(492)
Total interest costs	(5,006)	(3,877)
Fair value gains on interest rate swaps	132	655
Total finance costs	**(4,874)**	**(3,222)**

5. Dividend

No dividend was paid during the period (30 June 2013: £nil).

Preference shares accrue interest at 12% and are convertible at the discretion of the company. There is no fixed date of redemption.

On 3 July 2014 the accrued interest on the preference shares was converted into equity, see note 14.

6. 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 period ended 30 June 2014 is lower than the standard rate of corporation tax in the UK at 23% (30 June 2013: 24%), the differences are as follows:

	For the three months ended 30 June 2014 £000	For the three months ended 30 June 2013 £000
Loss before tax	**(4,895)**	**(1,600)**
Tax credit at standard UK corporation tax rate	(1,126)	(384)
Expenses not deductible for tax purposes	17	29
Unpaid interest timing difference	347	1
Unrecognised deferred tax	762	342
Tax charge	**—**	**(12)**
Standard UK corporation rate for the period	**23%**	**24%**
Effective tax rate higher/lower than standard UK corporation rate for the period	**Lower**	**Lower**

	For the three months ended 30 June 2014 £000	For the three months ended 30 June 2013 £000
Tax charge for the period consists of:		
Deferred tax credit:		
Origination and reversal of temporary differences	—	(12)
Total tax credit	**—**	**(12)**

At 30 June 2014 the Group had tax losses carried forward of £11,070,000 (30 June 2013: £1,269,000).

Deferred tax

There is no deferred tax recognised on £11,070,000 (30 June 2013: £nil) of tax losses carried forward. These losses are available for offset against future trading profits and have no expiry date. The Group has an unrecognised deferred tax asset of £350,000 (30 June 2013: £nil) in respect of decelerated capital allowance, £143,000 (30 June 2013: £nil) in respect of unpaid interest and £32,000 (30 June 2013: £nil) in respect of pension timing differences.

The Finance Act 2013, which was substantively enacted in July 2013, included provisions to reduce the rate of UK corporation tax 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 revalued to the lower rate of 20% in these accounts.

Exceptional tax

There were exceptional items in the period amounting to £487,000 (30 June 2013: £315,000). All exceptional items are taxable.

7. Reconciliation of exceptional items

	For the three months ended 30 June 2014 £000	For the three months ended 30 June 2013 £000
Professional fees and services:		
Acquisition expense	371	—
Other operating expenses:		
Restructuring costs	—	94
Transformation project	116	221
	487	**315**

Exceptional items include items that, by virtue of their size and incidence, are not considered to be representative of the on-going performance of the Group.

Acquisition expenses were incurred with respect to the sale of the Quest Topco Limited group.

Restructuring costs included in exceptional items were incurred in respect of the exit of executive and senior managers.

The Group undertook an exercise to improve its operations and efficiencies to become a customer facing business. The costs incurred with the transformation of how the Group operates included new training for its collectors and resolving legacy inefficiencies.

8. Impairment of goodwill

At 30 June 2014 the Group held goodwill with a carrying value of £24,732,000 (31 March 2014: £24,732,000; 30 June 2013: £24,732,000) and intangible assets with a carrying value of £5,989,000 (31 March 2014 £4,836,000; 30 June 2013: £634,000).

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The goodwill is attributable to the Quest Topco Limited group which is considered to be the only CGU to which the goodwill relates.

The Capquest Group's intangible assets comprise goodwill and software licenses. The goodwill relates to the acquisition of the Capquest Group by funds managed by TowerBrook Capital Partners, L.P. in 2011. At 30 June 2014, the recoverable amount was determined by assessing the Directors' estimate of the fair value of the Group, adjusted for expected sales costs, against the carrying value of the net assets of the Group. In estimating the fair value of the Group, the Directors considered current market information indicating the value of the Group in an arm's length sale transaction. The carrying value of the Group's net assets was adjusted for the current financing structure of the Group to assume that an acquirer's funding structure would replace the current group financing structure including the repayment of the Capquest Revolving Credit Facility, Capquest Term Loan Facility, Lombard financing agreement, intercompany balances with Quest B.V and other Management loan note holders, and associated accrued loan note interest.

The carrying value of the net assets adjusted for the current financing structure of the Group exceeded the Directors' estimate of the fair value of the Group less costs to sell and it was therefore concluded that there was no impairment.

In the prior years ending 31 March 2012, 31 March 2013 and 31 March 2014, the Directors have reviewed the carrying value of the goodwill for potential impairment by comparing it to the Group enterprise value. The Directors conclude that no impairment should be recognised on 31 March 2012, 31 March 2013 or 31 March 2014.

9. Financial assets

	30 June 2014 £000	31 March 2014 £000	30 June 2013 £000
Non-current:			
Purchased loan portfolios	83,286	87,381	90,432
	83,286	87,381	90,432
Current:			
Purchased loan portfolios	27,616	31,731	29,990
Portfolio write up	17	8,904	2,684
Portfolio impairment	(739)	(11,654)	(1,516)
	26,894	28,981	31,158
Total	**110,180**	**116,362**	**121,590**

Purchased loan portfolios

The Group recognises income from purchased loan portfolios in accordance with IAS 39. At 30 June 2014, the carrying amount of the purchased loan portfolio asset was £110,180,000 (31 March 2014: £116,362,000; 30 June 2013: £121,590,000).

The movements in purchased loan portfolio assets were as follows:

	Period ended 30 June 2014 £000	Year Ended 31 March 2014 £000	Period ended 30 June 2013 £000
As at the period brought forward	116,362	102,287	102,287
Portfolios acquired during the period	2,724	45,558	25,370
Collections in the period	(15,441)	(59,153)	(13,968)
Income from purchased loan portfolios	7,257	30,420	6,733
Portfolio write up	17	8,904	2,684
Portfolio impairment	(739)	(11,654)	(1,516)
As at the period end	**110,180**	**116,362**	**121,590**

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.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement 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

9. Financial assets (continued)

- 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 historical performance data. The purchased loan portfolios fair value is calculated using discounted net 84-month forecast cash flows. The fair values of derivative instruments are calculated using quoted prices. 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.

Except for unsecured loan notes with fixed rate of 12%, 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. Assets and liabilities measured at fair value on a non-recurring basis include goodwill, property, plant and equipment, and other intangible assets. Such assets are reviewed for impairment indicators. If a triggering event has occurred, the assets are re-measured when the estimated fair value of the corresponding asset or asset group is less than the carrying value. The fair value measurements, in such instances, are based on significant unobservable inputs (Level 3). There were no significant impairments recorded during the period ended 31 June 2014.

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 1 £000	Level 2 £000	Level 3 £000	Total £000
30 June 2014:				
Derivative assets	—	409	—	**409**
Derivative liabilities	—	(206)	—	**(206)**
Net assets	—	203	—	**203**
31 March 2014:				
Derivative assets	—	453	—	**453**
Derivative liabilities	—	(382)	—	**(382)**
Net assets	—	71	—	**71**
30 June 2013:				
Derivative assets	—	502	—	**502**
Derivative liabilities	—	(746)	—	**(746)**
Net liabilities	—	(244)	—	**(244)**

Of the above derivative contracts, the net fair value asset of £203,000 (31 March 2014: asset of £71,000; 30 June 2013: liability of £244,000) has been determined as a Level 2 measurement. There have been no transfers in or out of Level 2.

9. Financial assets (continued)

Financial instruments not measured at fair value—fair value hierarchy

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets				
30 June 2014				
Purchased loan portfolios	—	—	134,912	**134,912**
Total assets	—	—	134,912	**134,912**
31 March 2014:				
Purchased loan portfolios	—	—	141,094	**141,094**
Total assets	—	—	141,094	**141,094**
30 June 2013:				
Purchased loan portfolios	—	—	146,322	**146,322**
Total assets	—	—	146,322	**146,322**

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 effective interest rate are established for each purchased portfolio over 12 months old and 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.

If the 84 month cash collections forecast had been 10% higher at each collection point and all other variables were held constant, the purchased loan portfolio as at 30 June 2014 would increase by £11,321,000 (31 March 2014: £11,516,000; 30 June 2013: £11,052,000).

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 IRR, signs off the latest ERC forecast, assesses the carrying value of the portfolio assets and reviews revenue recognition.

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial assets that are carried in the financial statements.

		Carrying amount			Fair value		
	Notes	30 June 2014 £000	31 March 2014 £000	30 June 2013 £000	30 June 2014 £000	31 March 2014 £000	30 June 2013 £000
Purchased loan portfolios	9	110,180	116,362	121,590	134,912	141,094	146,322
Derivative asset		409	453	502	409	453	502
Cash and cash equivalents		9,814	16,713	9,440	9,814	16,713	9,440
Other receivables		3,013	2,351	2,351	3,013	2,351	2,351
Total assets		**123,416**	**135,879**	**133,883**	**148,148**	**160,611**	**158,615**

10. Trade and other payables

	30 June 2014 £000	31 March 2014 £000	30 June 2013 £000
Trade payables	1,558	1,944	1,145
Taxation and social security	437	394	340
Other liabilities and accruals	4,946	10,424	3,144
	6,941	**12,762**	**4,629**

The directors consider that the carrying amounts approximate to their fair value on the basis that the balances are short term in nature.

11. Financial liabilities

Financial instruments not measured at fair value—fair value hierarchy

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Liabilities				
30 June 2014:				
Unsecured loan notes	—	165,269	—	165,269
Total liabilities	**—**	**165,269**	**—**	**165,269**
31 March 2014:				
Unsecured loan notes	—	165,269	—	165,269
Total liabilities	**—**	**165,269**	**—**	**165,269**
30 June 2013:				
Unsecured loan notes	—	150,480	—	150,480
Total liabilities	**—**	**150,480**	**—**	**150,480**

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

The fair value of the unsecured loans is calculated using discounted cash flows, applying the current market rates and a credit spread reflective of the Group's current credit standing.

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial liabilities that are carried in the financial statements.

		Carrying amount			Fair value		
	Notes	30 June 2014 £000	31 March 2014 £000	30 June 2013 £000	30 June 2014 £000	31 March 2014 £000	30 June 2013 £000
Trade and other payables	10	6,941	12,762	4,629	6,941	12,762	4,629
Loans	13	60,266	64,366	70,151	60,266	64,366	70,151
Unsecured loan notes	13	94,354	94,354	80,021	165,269	165,269	150,480
Interest on unsecured loan notes	13	27,164	23,732	14,550	27,164	23,732	14,550
Derivative liability		206	382	746	206	382	746
Total liabilities		**188,931**	**195,596**	**170,097**	**259,846**	**266,511**	**240,556**

12. Related party transactions

Group

Related party balances as at each period end were as follows:

	Quest Holdings B.V. £000	Key management personnel £000	Total £000
Period ended 30 June 2014			
Interest incurred on 12% B loan notes	—	(203)	(203)
Interest incurred on 12% A loan notes	(3,229)	—	(3,229)
	(3,229)	**(203)**	**(3,432)**
Balances outstanding as at 30 June 2014			
12% B loan notes	(718)	(5,231)	(5,949)
Accrued interest due on 12% B loan notes	(277)	(1,982)	(2,259)
12% A loan notes	(88,405)	—	(88,405)
Accrued interest due on 12% A loan notes	(24,905)	—	(24,905)
	(114,305)	**(7,213)**	**(121,518)**
Balances outstanding as at 31 March 2014			
12% B loan notes	(718)	(5,231)	(5,949)
Accrued interest due on 12% B loan notes	(248)	(1,779)	(2,027)
12% A loan notes	(88,405)	—	(88,405)
Accrued interest due on 12% A loan notes	(21,705)	—	(21,705)
	(111,076)	**(7,010)**	**(118,086)**
Period ended 30 June 2013			
Interest incurred on 12% B loan notes	—	(178)	(178)
Interest incurred on 12% A loan notes	(2,189)	—	(2,189)
	(2,189)	**(178)**	**(2,367)**
Balances outstanding as at 30 June 2013			
12% B loan notes	—	(5,840)	(5,840)
Accrued interest due on 12% B loan notes	—	(1,117)	(1,117)
12% A loan notes	(74,181)	—	(74,181)
Accrued interest due on 12% A loan notes	(13,433)	—	(13,433)
	(87,614)	**(6,957)**	**(94,571)**

Summary of transactions

Quest Holdings B.V. was the immediate parent company on 30 June 2014.

Key management personnel include the directors of Quest Topco Limited and Capquest Group Limited, and other shareholders in Quest Topco Limited.

Quest Holdings B.V. and M Brunault, former Chief Executive Officer of Capquest Group Limited, and others, are holders of preference shares issued in the company. Preference shares accrue interest at 12% and are convertible at the discretion of the company. There is no fixed date of redemption. On 3 July 2014 the accrued interest on the preference shares was converted into equity, see note 14.

A rate of 12% is receivable on the A and B loan notes. Loan notes are due in 2020 and are therefore receivable after more than one year. All amounts are unsecured. On 3 July 2014 the accrued interest on the loan notes was converted into equity, see note 14.

13. Borrowings

	Period Ended 30 June 2014 £000	Year Ended 31 March 2014 £000	Period Ended 30 June 2013 £000
Revolving credit facility	42,659	46,600	53,980
Bank loan	16,050	16,050	16,050
Other loans	1,557	1,716	121
Unsecured loan notes	94,354	94,354	80,021
Interest on unsecured loan notes	27,164	23,732	14,550
Total borrowings	**181,784**	**182,452**	**164,722**
Amount due for settlement within 12 months	69,823	70,332	68,530
Amount due for settlement after 12 months	111,961	112,120	96,192
	181,784	**182,452**	**164,722**

Revolving credit facility

On 7 November 2006, the Group entered into a revolving credit facility (the ''revolving credit facility'') with Royal Bank of Scotland, as security agent for a consortium of participating financial institutions. The new revolving credit facility terminates in August 2016 and bears interest at a rate per annum equal to LIBOR plus certain mandatory costs and a margin of 4.5% per annum. The new revolving credit facility has total commitments of £110 million.

The Group is also required to pay a commitment fee on available but not utilised or not cancelled commitments under the new revolving credit facility at a rate of 1.75% of the applicable margin per annum on the undrawn portion of each lender's commitment. The new revolving credit facility is secured by the same assets as the senior notes. Interest is paid based on agreement when the facility is drawn down, either payable every one, three or six months.

Term loan facility

On 26 August 2011, the Group entered into a term loan facility with total capital commitments of £16.05 million. The term loan facility terminates in August 2018 and bears interest at a rate per annum equal to LIBOR plus certain mandatory costs and a margin of 5.5% per annum. The Group had drawn the full term loan available as of 31 March 2014.

Unsecured loan notes

On 26 August 2011, the Group issued £52.0 million of 12% unsecured A loan notes and £5.8 million of 12% unsecured B loan notes due 2020. Net proceeds of £52.0 million and £5.8 million included unsecured loan notes issuance costs that were capitalised within the financial instrument. The Group may redeem, at its option, some or all of the unsecured loan notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any.

14. Post balance sheet events

On 3 July 2014, all of the accrued interest on loan notes and the interest on preference shares were converted to 4,065,399 F Ordinary equity shares using their valuation as at 30 June 2014. These values were as follows:

Accrued interest on loan notes	£27,164,000
Accrued interest on preference shares	£2,159,000

On 23 September 2014 a Sale and Purchase Agreement was signed with Arrow Global Group Plc for its acquisition of the Quest Topco Limited group.

Arrow Global Finance plc
20-22 Bedford Row
London
WC1R 4JS

30 October 2014

Dear Sirs

Quest Topco Limited

We report on the financial information of Quest Topco Limited set out in pages F-133 to F-173 for the years ended 31 March 2012, 31 March 2013 and 31 March 2014. This financial information has been prepared for inclusion in the Offering Memorandum dated 30 October 2014 of Arrow Global Finance plc on the basis of the accounting policies set out in note 2. We have not audited the financial information for the three month period ended 30 June 2013 or 30 June 2014 and accordingly do not express and opinion thereon.

Save for any responsibility which we may have to those whom this report is expressly addressed and for any responsibility under the applicable law to investors purchasing the notes of Arrow Global Finance plc in reliance on this report, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report.

Responsibilities

The Directors of Arrow Global Finance plc are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information which is consistent with the International Financial Reporting Standards accounting policies in Arrow Global Group PLC's latest annual accounts.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information for the years ended 31 March 2012, 31 March 2013 and 31 March 2014 gives, for the purposes of the Offering Memorandum dated 30 October 2014, a true and fair view of the state of affairs of Quest Topco Limited as at the dates stated and of its results, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 2.

Yours faithfully

Ernst & Young LLP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March

	Note	Year Ended 31 March 2014 Underlying £000	Exceptional items 2014 £000	Year Ended 31 March 2014 including exceptionals £000	Year Ended 31 March 2013 Underlying £000	Exceptional items 2013 £000	Year Ended 31 March 2013 including exceptionals £000	Aggregated Year Ended 31 March 2012 Underlying £000	Aggregated Exceptional items 2012 £000	Aggregated Year Ended 31 March 2012 including exceptionals £000
Continuing operations										
Revenue										
Income from purchased loan portfolios	12	30,420	—	30,420	24,680	—	24,680	24,995	—	24,995
Portfolio write up/(down)	4,12	8,904	—	8,904	2,558	—	2,558	(430)	—	(430)
Portfolio impairment	4,12	(11,654)	—	(11,654)	(510)	—	(510)	(2,901)	—	(2,901)
		27,670	—	27,670	26,728	—	26,728	21,664	—	21,664
Income from asset management		4,799	—	4,799	7,706	—	7,706	10,081	—	10,081
Total revenue		**32,469**	**—**	**32,469**	**34,434**	**—**	**34,434**	**31,745**	**—**	**31,745**
Operating expenses										
Collection activity costs		17,060	—	17,060	13,214	—	13,214	13,891	—	13,891
Professional fees and services										
Non-recurring items:										
Acquisition expense		—	63	—	—	60	—	—	1,656	—
Restructuring cost		—	—	—	—	207	—	—	—	—
	8	1,538	63	1,601	2,171	267	2,438	2,921	1,656	4,577
Non-recurring items:										
Restructuring cost		—	464	—	—	897	—	—	—	—
Transformation project		—	467	—	—	1,274	—	—	—	—
Technology impairments		—	—	—	—	—	—	—	1,207	—
Other operating expenses	7	13,460	931	14,391	9,394	2,171	11,565	9,506	1,207	10,713
Total operating expenses		**32,058**	**994**	**33,052**	**24,779**	**2,438**	**27,217**	**26,318**	**2,863**	**29,181**
Operating profit/(loss)		**411**	**(994)**	**(583)**	**9,655**	**(2,438)**	**7,217**	**5,427**	**(2,863)**	**2,564**
Finance income		19	—	19	109	—	109	28	—	28
Finance costs		(18,012)	—	(18,012)	(13,376)	—	(13,376)	(11,093)	—	(11,093)
Fair value gain/(loss) on interest rate swaps		970	—	970	(648)	—	(648)	(251)	—	(251)
Total finance income and costs	5	**(17,023)**	**—**	**(17,023)**	**(13,915)**	**—**	**(13,915)**	**(11,316)**	**—**	**(11,316)**
Loss before tax		**(16,612)**	**(994)**	**(17,606)**	**(4,260)**	**(2,438)**	**(6,698)**	**(5,889)**	**(2,863)**	**(8,752)**
Taxation credit on ordinary activities	9	59	—	59	574	—	574	1,495	—	1,495
Loss for the year attributable to equity shareholders		**(16,553)**	**(994)**	**(17,547)**	**(3,686)**	**(2,438)**	**(6,124)**	**(4,394)**	**(2,863)**	**(7,257)**
Items reclassified to profit and loss in future periods										
Other comprehensive income: Foreign exchange translation difference arising on revaluation of foreign operations		—	—	—	6	—	6	—	—	—
Total comprehensive income for the year attributable to equity shareholders		**(16,553)**	**(994)**	**(17,547)**	**(3,680)**	**(2,438)**	**(6,118)**	**(4,394)**	**(2,863)**	**(7,257)**

CONSOLIDATED BALANCE SHEETS
As at 31 March

	Notes	31 March 2014 £000	31 March 2013 £000	31 March 2012 £000
Assets				
Non-current assets				
Intangible assets	10	29,568	25,348	25,285
Property, plant & equipment	11	4,966	453	512
Purchased loan portfolios	12	87,381	76,887	50,345
Derivative asset	20	453	250	244
Total non-current assets		**122,368**	**102,938**	**76,386**
Current assets				
Cash and cash equivalents		16,713	10,562	13,788
Other receivables	13	2,481	2,513	2,620
Purchased loan portfolios	12	28,981	25,400	17,306
Total current assets		**48,175**	**38,475**	**33,714**
Total purchased loan portfolios	*12,20*	*116,362*	*102,287*	*67,651*
Total assets		**170,543**	**141,413**	**110,100**
Equity				
Share capital	16	31	30	30
Share premium		6,235	5,716	5,372
Accumulated deficit		(33,244)	(14,846)	(8,042)
Dividends on preference shares		1,925	1,074	388
Total equity attributable to shareholders		**(25,053)**	**(8,026)**	**(2,252)**
Liabilities				
Non-current liabilities				
Loans	21	17,766	16,112	15,696
Unsecured loan notes	21	94,354	73,168	57,837
Derivative liability	20	382	1,149	495
Deferred tax liability	15	—	59	633
Total non-current liabilities		**112,502**	**90,488**	**74,661**
Current liabilities				
Trade and other payables	14	12,762	5,076	5,841
Loans	21	46,600	41,752	27,705
Interest on unsecured loan notes	21	23,732	12,123	4,145
Total current liabilities		**83,094**	**58,951**	**37,691**
Total liabilities		**195,596**	**149,439**	**112,352**
Total equity and liabilities		**170,543**	**141,413**	**110,100**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March

Capquest Group Limited	Ordinary shares* £000	Share premium £000	Retained earnings £000	Dividends on preference shares £000	Total £000
Balance at 1 April 2011	**982**	**—**	**692**	**—**	**1,674**
Profit for the period	—	—	397	—	397
Exchange differences	—	—	—	—	—
Total comprehensive income for the year	—	—	397	—	397
Issue of shares	76	—	—	—	76
Balance at 25 August 2011	**1,058**	**—**	**1,089**	**—**	**2,147**

Quest Topco Limited	Ordinary shares* £000	Share premium £000	Accumulated deficit £000	Dividends on preference shares £000	Total £000
Balance at 1 June 2011	**—**	**—**	**—**	**—**	**—**
Loss for the period	—	—	(7,654)	—	(7,654)
Total comprehensive income for the year	—	—	(7,654)	—	(7,654)
Dividend on preference shares	—	—	(388)	388	—
Issue of shares	30	5,372	—	—	5,402
Balance at 31 March 2012	**30**	**5,372**	**(8,042)**	**388**	**(2,252)**
Loss for the year	—	—	(6,124)	—	(6,124)
Exchange differences	—	—	6	—	6
Total comprehensive income for the year	—	—	(6,118)	—	(6,118)
Dividend on preference shares	—	—	(686)	686	—
Issue of shares	—	344	—	—	344
Balance at 31 March 2013	**30**	**5,716**	**(14,846)**	**1,074**	**(8,026)**
Loss for the year	—	—	(17,547)	—	(17,547)
Total comprehensive income for the year	—	—	(17,547)	—	(17,547)
Dividend on preference shares	—	—	(851)	851	—
Issue of shares	1	519	—	—	520
Balance at 31 March 2014	**31**	**6,235**	**(33,244)**	**1,925**	**(25,053)**

* See note 16 for details on the composition of ordinary shares

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March

	Notes	Consolidated Year Ended 31 March 2014 £000	Consolidated Year Ended 31 March 2013 £000	Aggregated Year Ended 31 March 2012 £000
Cash flows from operating activities				
Adjusted for:				
Loss before tax		(17,606)	(6,698)	(8,752)
Collections in the year	12	59,153	49,260	44,211
Income from purchased loan portfolios	12	(30,420)	(24,680)	(24,995)
Portfolio write (up)/down	12	(8,904)	(2,558)	430
Portfolio impairment	12	11,654	510	2,901
Depreciation and amortisation	4,10,11	721	557	633
Impairment of intangible asset (exceptional item)	10	—	—	1,207
Loss on disposal of property, plant and equipment	4	3	—	—
Finance Income	5	(19)	(109)	(28)
Finance costs	5	18,012	13,376	11,093
(Gain)/ loss on fair values on derivatives	5	(970)	648	251
Operating cash flows before movement in working capital		**31,624**	**30,306**	**26,952**
Decrease in other receivables	13	28	100	115
Increase/(decrease) in trade and other payables (excluding exceptional items disclosed in this statement)	14	4,170	1,619	861
Acquisition expenses (exceptional item)		—	—	(1,656)
Restructuring (exceptional item)		(464)	(1,104)	—
Transformation project (exceptional item)		(467)	(1,274)	—
Interest received		19	11	20
Increase in tax position		5	—	—
Cash generated by operations		**34,915**	**29,658**	**26,291**
Income taxes and overseas taxation paid		—	6	(588)
Net cash flow from operating activities before purchases of loan portfolios		**34,915**	**29,664**	**25,703**
Purchases of loan portfolios	12	(40,758)	(57,168)	(24,994)
Net cash used in operating activities		**(5,843)**	**(27,504)**	**709**
Investing activities				
Purchase of property, plant and equipment	11	(4,952)	(261)	(298)
Purchase of intangible assets	10	(4,505)	(300)	(153)
Acquisition of subsidiary, net of cash acquired	22	—	—	(7,243)
Net cash (used in)/ generated by investing activities		**(9,457)**	**(561)**	**(7,694)**
Financing activities				
Proceeds of issued share capital	16	520	344	5,478
Proceeds from bank loans	21	39,692	45,292	30,455
Proceeds from loan notes	21	21,076	15,332	57,836
Proceeds from other loans	21	1,773	—	—
Repayment of bank loans	21	(37,202)	(32,063)	(75,372)
Repayment of other loans	21	(119)	(468)	(1,002)
Interest paid		(4,289)	(3,598)	(4,376)
Net cash flow generated by financing activities		**21,451**	**24,839**	**13,019**
Net increase/(decrease) in cash and cash equivalents		6,151	(3,226)	6,034
Cash and cash equivalents at beginning of year		10,562	13,788	7,754
Cash and cash equivalents at end of year		**16,713**	**10,562**	**13,788**

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General information

Quest Topco Limited (''the Company'') was incorporated on 1 June 2011 in England and Wales. The company's registered office address is Fleet 27, Rye Close, Fleet, Hampshire GU51 2QQ.

The ultimate parent undertaking of the Quest Topco Limited group is Quest Holdings Cooperatief U.A., a cooperative formed under the laws of the Netherlands.

The historical financial information has been prepared in accordance with the accounting policies set out in note 2.

Through its subsidiary companies, the Quest Topco Limited group (''the Group'') acquires certain pools of semi-performing and/or charged-off consumer loans pursuant to the terms of each specific purchase agreement. The Group enters into contractual servicing agreements with other third parties to collect the receivables and to administer and disburse the proceeds of the receivables.

The Group maintains a fiscal year commencing and ending each year on 1 April and 31 March. Unless otherwise specified, the historical financial information and all the amounts included in these Notes are presented in thousands of British pounds (£).

2. Accounting policies

Basis of preparation

The historical financial information comprises the accounts of Quest Topco Limited and the accounts of the subsidiaries in which it holds, directly or indirectly, control, being:

- Quest Bidco Limited
- Quest Newco Limited
- BRUInvest (BVI) Limited
- Capquest Group Limited
- Capquest Investments Limited
- Capquest Debt Recovery Limited
- Capquest Asset Management Limited
- Capquest Mortgage Servicing Limited
- Capquest Debt Recovery SA (pty) Limited

The basis of preparation and accounting policies used in preparing the aggregated financial information for the year ended 31 March 2012 and the consolidated financial information for years ended 31 March 2013 and 31 March 2014 are set out below. The historical financial information has been prepared on a basis consistent with the accounting policies adopted in Arrow Global Group PLC's latest annual financial statements, being for the year ended December 31, 2013, and in accordance with this basis of preparation.

On 26 August 2011, Quest Topco Limited acquired Capquest Group Limited and BRUInvest Limited. As such, prior to that date, Quest Topco Limited did not control Capquest Group Limited or BRUInvest Limited and is not permitted by IFRS to present consolidated financial information incorporating the results of the Capquest Group Limited group or BRUInvest Limited prior to that date. The historical financial information is prepared on the following basis:

- For the year ended 31 March 2012, the aggregated statement of comprehensive income and aggregated statement of cash flows, aggregate the results and cash flows of the Capquest Group Limited group and BRUInvest Limited for the period from 1 April 2011 to 25 August 2011 and of the Quest Topco Limited group for the period from 1 June 2011, being its date of incorporation, to 31 March 2012. Quest Topco Limited acquired Capquest Group Limited and BRUInvest Limited on 26 August 2011, and consolidated the results and cash flows of its subsidiaries from that date.

2. Accounting policies (continued)

- The statement of changes in equity for the year ended 31 March 2012 separately reflects the changes in equity for the Capquest Group Limited group and BRUInvest Limited for the period from 1 April 2011 to 25 August 2011 and for the Quest Topco Limited group for the period from 1 June 2011 to 31 March 2012. Quest Topco Limited acquired Capquest Group Limited and BRUInvest Limited on 26 August 2011 and consolidated the results and cash flows of its subsidiaries from that date.
- The consolidated balance sheet as at 31 March 2012, 2013 and 2014 and the consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity for the year ended 31 March 2013 and 2014 are those of the Quest Topco Limited group.

The aggregated financial information has been prepared in accordance with this basis of preparation. This basis of preparation describes how the historical financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) except as described below.

IFRSs, as adopted by the EU, do not provide for the preparation of aggregated financial information and, accordingly, in preparing the aggregated statement of comprehensive income and aggregated cash flows statement for the year ended 31 March 2012, certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK auditing Practices Board have been applied. The application of these conventions results in the following material departures from IFRSs as adopted by the EU:

- As explained above, the statement of comprehensive income and the statement of cash flows for the year ended 31 March 2012 are prepared on an aggregated basis and therefore do not comply with IFRS.
- The aggregated financial information does not constitute a set of general purpose financial statements under paragraph 2 of IAS 1 Presentation of Financial Statements and consequently there is no explicit and unreserved statement of compliance with IFRS as contemplated by paragraph 16 of IAS 1.

In other respects IFRSs as adopted by the EU have been applied.

IFRS comprises standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and as endorsed by the EU.

The principal accounting policies adopted are set out below.

2. Accounting policies (continued)

New IFRS issued but not yet effective

As at 31 March 2014, the following standards which have not been applied in the financial statements were in issue but not yet effective:

Standard	Effective
IFRS 10 Consolidated financial statements	Periods beginning on or after 1 January 2014
IFRS 11 Joint arrangements	Periods beginning on or after 1 January 2014
IFRS 12 Disclosure of interests in other entities	Periods beginning on or after 1 January 2014
IAS 27 (revised 2011) Separate financial statements	Periods beginning on or after 1 January 2014
IAS 28 (revised 2011) Associates	Periods beginning on or after 1 January 2014
Amendments to IFRS 10, 11 and 12 on transition guidance	Periods beginning on or after 1 January 2014
Amendment to IAS 36 Impairment of assets on recoverable amount disclosures	Periods beginning on or after 1 January 2014
Amendment to IAS 32 Financial instruments: Presentation on financial instruments asset and liability offsetting	Periods beginning on or after 1 January 2014
Amendment to IAS 39 Financial instruments; Recognition and measurement on novation of derivatives and hedge accounting	Periods beginning on or after 1 January 2014
IFRIC 21 Levies	Periods beginning on or after 1 January 2014
IFRS 9 Financial instruments	Periods beginning on or after 1 July 2014
Amendment to IAS 19 Employee benefits on defined benefit plans	Periods beginning on or after 1 July 2014
Amendments to IFRS 9 Financial instruments on general hedge accounting	Periods beginning on or after 1 July 2014
Annual improvements 2012	Periods beginning on or after 1 July 2014
Annual improvements 2013	Periods beginning on or after 1 July 2014

The Group has considered the impact of the above and concluded that they are either not relevant to the Group or that they would not have a significant impact on the Group's financial statements, apart from additional disclosures.

In November 2009, as part of the phased project to replace IAS 39 'Financial Instruments: Recognition and Measurement', the IASB issued IFRS 9 'Financial Instruments; which reconsiders the classification and measurement of financial assets. This standard has not yet been endorsed by the EU. The Directors anticipate that the adoption of the above standards in future periods will have no material impact on the financial statements for the Group.

Basis of consolidation

The consolidated financial statements for the years ended 31 March 2012, 31 March 2013 and 31 March 2014 include the financial statements of Quest Topco Limited and its subsidiaries. The financial statements of subsidiaries are prepared up to 31 March each year. 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. All intra-Group transactions, balances, income and expenses are eliminated upon consolidation.

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 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5,

2. Accounting policies (continued)

'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. 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 the statement of comprehensive income.

Goodwill

Goodwill represents the excess of the total consideration transferred for an acquired entity and the Group's interest in the fair value of the identifiable assets acquired and liabilities assumed of that entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (''CGU'') expected to benefit from the synergies of the combination. CGU to which goodwill has been allocated are tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired by comparing the carrying amount of the CGU, including goodwill, with the recoverable amount of the CGU.

The Group calculates the recoverable amount of this CGU by determining the higher of fair value less cost to sell and its value in use. The key assumptions for the value in use calculation are those regarding the forecast cash flows during the forecast period and the long-term growth rate in revenue utilised to value the cash flows into perpetuity.

If the recoverable amount of the CGU 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 pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is recognised immediately in the statement of comprehensive income and is not reversed in a subsequent period.

On disposal of an operation within a CGU to which goodwill has been allocated, the goodwill associated with that operation is included in the carrying amount of the operation when determining the profit or loss on disposal.

Revenue recognition

Purchased loan portfolios are financial instruments that are accounted for under IAS 39. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. The effective interest 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 allocated interest income is recorded as income from purchased loan portfolios in the Historical financial information. The effective interest rate 'EIR' is the rate that exactly discounts estimated future purchased portfolio cash receipts through the expected life of the purchased portfolio asset. The EIR is determined as at the time of purchase of the loan portfolio. When an individual portfolio's carrying value is completely recovered, we recognise any subsequent collections as revenue as they are received.

The carrying amount is adjusted for changes in estimates of cash flows. Such adjustments are recorded as revenue. Subsequent reversals of such uplifts are recorded in the revenue line. If such reversals exceed cumulative revenue recognised to date, a provision for impairment is recognised which is reflected as a separate income statement line item.

Revenue on assets under management

In accordance with IAS 18, the Group recognises revenue on its managed services contracts when the right to receive such revenue is reasonably assured and can be measured reliably. The right to receive

2. Accounting policies (continued)

such revenue is measured in reference to services rendered based on the stage of completion, regardless of milestone payments received.

Impairment of purchased loan portfolios

The portfolios are reviewed for any possible indications of impairment at the balance sheet date in accordance with IAS 39. The carrying value amount is adjusted for changes in estimates of cash flows. Where portfolios exhibit objective evidence of impairment, a reduction is recorded to the carrying value of the portfolio. If the forecast portfolio collections exceed initial estimates, a portfolio basis adjustment is recorded as an increase to the carrying value of the portfolio and is included in income from purchased loan portfolios. If the forecast portfolio collections are lower than previous forecasts, the cumulative revenue recognised is considered as described in the revenue recognition accounting policy.

Exceptional items

Exceptional items are non-recurring material items which are outside the normal scope of the Group's ordinary activities such as liabilities and costs arising from a restructuring of the Group's operations, major project costs, one-off impairments on fixed or intangible assets, and costs relating to material acquisitions. Such items are disclosed separately within the financial statements.

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 the historical financial information, 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 currencies

The historical financial information of each Group company is presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the historical financial information, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Group and the presentation currency for the historical financial information.

In preparing the historical financial information 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 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.

For the purpose of presenting the historical financial information, 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

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. 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.

2. Accounting policies (continued)

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 historical financial information 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.

Other intangible assets

Acquired licences are capitalised at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over the shorter of contractual life and useful economic life.

Software licences —five years

Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

2. Accounting policies (continued)

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) 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	—over the term of the lease

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 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.

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. All financial instruments are recorded on initial recognition at fair value. Subsequent measurement will depend on their classification as either loans and receivables, trading financial instruments or financial liabilities at amortised cost.

Purchased loan portfolios

The Group's purchased loan portfolios 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 on initial recognition at fair value and subsequently at amortised cost using the effective interest method.

The effective interest 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 allocated interest income is recorded as income from purchased loan portfolios in the Historical financial information. The EIR is the rate that exactly discounts estimated future purchased portfolio cash receipts through the expected life of the purchased portfolio asset. The EIR is determined as at the time of purchase of the loan portfolio. When an individual portfolio's carrying value is completely recovered, we recognise any subsequent collections as revenue as it is received.

The carrying amount is adjusted for changes in estimates of cash flows. Such adjustments are recorded as revenue. Subsequent reversals of such uplifts are recorded in the revenue line. If such reversals exceed cumulative revenue recognised to date, a provision for impairment is recognised which is reflected as a separate income statement line item.

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.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and in conjunction with the application of IFRS. The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or they expire.

2. Accounting policies (continued)

Financial liabilities are held at amortised cost using the effective interest 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.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the statement of comprehensive income immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

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 20.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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 judgements in applying accounting policies

The following are the critical judgements that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in historical financial information.

a) Impairment of purchased loan portfolios

The portfolios are reviewed for any possible indications of impairment at the balance sheet date in accordance with IAS 39. The carrying value amount is adjusted for changes in estimates of cash flows. Where portfolios exhibit objective evidence of impairment, a reduction is recorded to the carrying value of the portfolio.

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Revenue recognition

Interest income from purchased loan portfolios is allocated over the expressed life of the portfolio and is calculated using the effective interest method. The EIR is the rate that exactly discounts estimated future purchased portfolio cash receipts through the expected life of the purchased portfolio asset. The estimation of cash flow forecasts is a key estimation uncertainty fundamental within this critical accounting policy. If the forecast portfolio collections exceed initial estimates, a portfolio basis adjustment is recorded as an increase to the carrying value of the portfolio and is included in income from purchased loan portfolios. If the forecast portfolio collections are lower than previous forecasts, the cumulative revenue recognised is considered as described in the revenue recognition accounting policy.

b) Impairment of purchased loan portfolios

The carrying amount of purchased loan portfolios is adjusted for changes in estimates of cash flows.

c) Estimation of cash flow forecasts

Estimates of cash flows that determine the EIR are established for each purchased portfolio as at the point of purchase 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. Revaluations of portfolios are based on the rolling 84-month Estimated Remaining Collections (ERC) at the revaluation date. This ERC is updated quarterly using a proprietary model. ERC represents an estimate of the undiscounted gross cash value of the Group's purchased loan portfolios at a point in time.

d) Exceptional items

The classification of exceptional items is considered a critical accounting judgement. Exceptional items are those which are separately identified by virtue of their size or incidence to allow a full understanding of the underlying performance of the Group.

e) Impairment of goodwill

The recoverable amount of goodwill and other intangible assets is based on fair value less costs to sell which requires estimates in respect of the allocation of goodwill to cash generating units, the future cash flows and an appropriate discount rate.

4. Loss for the year

	Year Ended 31 March 2014 £000	Year Ended 31 March 2013 £000	Year Ended 31 March 2012 £000
Loss for the year has been arrived at after charging/ (crediting):			
Net foreign exchange (gains)/losses	5	50	45
Operating leases—properties	952	1,375	1,380
Portfolio write-up/(down) (note 12)	8,904	2,558	(430)
Impairment of portfolios (note 12)	(11,654)	(510)	(2,901)
Depreciation and amortisation (notes 10 and 11)	721	557	633
Loss on disposal of property, plant and equipment	3	—	—
Impairment of intangible asset (note 10)	—	—	1,207

5. Finance income and costs

	Year Ended 31 March 2014 £000	Year Ended 31 March 2013 £000	Year Ended 31 March 2012 £000
Finance income			
Bank interest	19	109	28
Finance costs			
Interest and similar charges on bank loans	(4,289)	(3,488)	(5,747)
Loan note interest	(11,609)	(8,088)	(4,145)
Other interest	—	—	(10)
Amortisation of financing costs	(2,114)	(1,800)	(1,191)
Total interest costs	(18,012)	(13,376)	(11,093)
Fair value gains/(losses) on interest rate swaps	970	(648)	(251)
Total finance costs	**(17,042)**	**(14,024)**	**(11,344)**

6. Auditor's remuneration

The analysis of auditor remuneration is as follows:

	Year Ended 31 March 2014 £000	Year Ended 31 March 2013 £000	Year Ended 31 March 2012 £000
Fees payable for audit services—Company	8	5	26
Fees payable for audit services for subsidiaries	137	85	77
Fees payable for other services to the group	20	—	—
Total fees payable for audit services	**165**	**90**	**103**
Fees payable for tax compliance	57	84	36
Fees payable for tax advisory services	—	2	3
Fees payable for other services	—	2	3
Total fees payable for non-audit services	**57**	**88**	**42**
Total fees payable	**222**	**178**	**145**

7. Staff costs and other operating expenses

a) Other operating expenses

	Year Ended 31 March 2014 £000	Year Ended 31 March 2013 £000	Year Ended 31 March 2012 £000
Staff costs (note 7b)	8,669	6,984	5,294
Other staff related costs	562	568	310
Premises	2,070	1,848	1,766
IT	504	575	577
Depreciation and amortisation	721	557	633
Impairment of intangible asset	—	—	1,207
Loss on disposal of tangible/intangible asset	2	—	1
Net foreign exchange (gains)/losses	5	50	45
Other operating expenses	1,858	983	880
Total operating expenses	**14,391**	**11,565**	**10,713**
Exceptional items			
Restructuring costs	(464)	(897)	—
Transformation projects	(467)	(1,274)	—
Technology impairments	—	—	(1,207)
Total operating expenses excluding exceptional items	**13,460**	**9,394**	**9,506**

Exceptional items include items that, by virtue of their size and incidence, are not considered to be representative of the on-going performance of the Group.

Restructuring costs included in exceptional items were incurred in respect of:

- Site closures and office relocations;
- Exit of executive and senior managers; and
- Executive recruitment.

The Group undertook an exercise to improve its operations and efficiencies to become a customer facing business. The costs incurred with the transformation of how the Group operates included new training for its collectors and resolving legacy inefficiencies.

The Group internally generated an IT platform which was discontinued during the year ended 31 March 2012, on which date an impairment was made against the carrying value of the assets.

b) Staff costs

	Year Ended 31 March 2014 £000	Year Ended 31 March 2013 £000	Year Ended 31 March 2012 £000
Collection activity costs	8,175	8,015	7,504
Other operating expenses	8,669	6,984	5,369
	16,844	**14,999**	**12,873**

	Year Ended 31 March 2014 £000	Year Ended 31 March 2013 £000	Year Ended 31 March 2012 £000
Wages, bonuses and salaries	15,292	13,669	11,542
Pension costs	1,373	1,271	59
Social security costs	179	59	1,272
	16,844	**14,999**	**12,873**

7. Staff costs and other operating expenses (continued)

The total directors' personnel remuneration (including non-executive directors) during the year ended 31 March 2014 was £977,000 (FY 2013: £1,464,000; FY 2012: £1,399,000) and included £12,000 in relation to pension costs (FY 2013: £10,000; FY 2012: £126,000).

The remuneration of the highest paid director during the year ended 31 March 2014 was £369,000 (FY 2013: £426,000; FY 2012: £461,000) including pension costs of £7,000 (FY 2013: £6,000; FY 2012: £116,000).

At 31 March 2014, there was an accrual in respect of pension costs of £nil (FY 2013: £nil; FY 2012: £nil).

The average monthly number of employees (including executive directors) is analysed below:

	Year Ended 31 March 2014 No	Year Ended 31 March 2013 No	Year Ended 31 March 2012 No
Data and Systems	36	30	29
Collections	52	43	23
Management	150	182	176
Finance	10	7	7
Collections support	4	2	2
Facilities	11	9	6
HR	30	24	19
Litigation	13	15	13
Commercial	4	7	8
Trace	30	42	42
Audit and risk	20	10	6
Legal	2	—	—
	362	371	331

8. Professional fees and services

	Year Ended 31 March 2014 £000	Year Ended 31 March 2013 £000	Year Ended 31 March 2012 £000
Professional fees and services	1,601	2,438	4,577
Exceptional items:			
Acquisition expense	(63)	(60)	(1,656)
Restructuring cost	—	(207)	—
Professional fees and services excluding exceptional items	**1,538**	**2,171**	**2,921**

Exceptional items include items that, by virtue of their size and incidence, are not considered to be representative of the on-going performance of the Group.

Acquisition expenses were incurred with respect to the acquisition of Capquest Group Limited by Quest Topco Limited during the year ended 31 March 2012 and the acquisition of a large portfolio and some assets from a third party during the year ended 31 March 2014.

Restructuring costs included in exceptional items were incurred in respect of:

- Employee advice; and
- Research undertaken on vendors for a new IT platform.

9. 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 March 2014 is lower than the standard rate of corporation tax in the UK at 23%, the differences are as follows:

	Year Ended 31 March 2014 £000	Year Ended 31 March 2013 £000	Year Ended 31 March 2012 £000
Loss before tax	**(17,606)**	**(6,698)**	**(8,752)**
Tax credit at standard UK corporation tax rate	(4,049)	(1,608)	(2,276)
Expenses not deductible for tax purposes	30	19	577
Differences in tax rates	—	25	(100)
Unpaid interest timing difference	1,388	990	304
Unrecognised deferred tax	2,572	—	—
Tax credit	**(59)**	**(574)**	**(1,495)**
Effective tax rate relating to continuing operations	**0%**	**(8)%**	**(16)%**
Standard UK corporation rate for the year	**23%**	**24%**	**26%**
Effective tax rate higher/lower than standard UK corporation rate for the year	**Lower**	**Lower**	**Lower**

	Year Ended 31 March 2014 £000	Year Ended 31 March 2013 £000	Year Ended 31 March 2012 £000
Tax credit for the year consists of:			
Deferred tax credit:			
Origination and reversal of temporary differences	(59)	(574)	(1,495)
Total tax credit	**(59)**	**(574)**	**(1,495)**

At 31 March 2014 the Group had tax losses carried forward of £7,901,000 (FY2013: £1,322,000, FY2012: £3,909,000).

Deferred tax

There is no deferred tax recognised on £7,901,000 (FY 2013: £nil; FY 2012: £nil) of tax losses carried forward. These losses are available for offset against future non-trading profits and have no expiry date. The Group has an unrecognised deferred tax asset of £350,000 (FY 2013: £nil; FY 2012: £ nil) in respect of decelerated capital allowance, £114,000 (FY 2013: £nil; FY 2012: £nil) in respect of unpaid interest and £10,000 (FY 2013: £nil; FY 2012: £nil) in respect of pension timing differences.

The Finance Act 2013, which was substantively enacted in July 2013, included provisions to reduce the rate of UK corporation tax 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 revalued to the lower rate of 20% in these accounts.

Exceptional tax

Exceptional items in the year ended 31 March 2014 amounting to £994,000 (FY 2013: £2,438,000; FY 2012: £2,863,000) are deductible expenses for tax purposes.

10. Intangible assets

Capquest Group Limited

	Software licences £000
Cost	
At 1 April 2011	2,735
Additions	25
At 25 August 2011	**2,760**
Amortisation and impairment	
At 1 April 2011	952
Amortisation charge for the period	75
At 25 August 2011	**1,027**
Net book value	
At 25 August 2011	**1,733**

Quest Topco Limited

	Software licences £000	Goodwill £000	Total £000
Cost			
On acquisition of Capquest Group Limited	2,760	24,732	27,492
Additions	128	—	128
At 31 March 2012	**2,888**	**24,732**	**27,620**
Additions	300	—	300
At 31 March 2013	**3,188**	**24,732**	**27,920**
Additions	4,505	—	4,505
Disposals	(1,922)	—	(1,922)
At 31 March 2014	**5,771**	**24,732**	**30,503**
Amortisation and impairment			
On acquisition of Capquest Group Limited	1,027	—	1,027
Amortisation charge for the period	101	—	101
Impairment loss	1,207	—	1,207
At 31 March 2012	**2,335**	**—**	**2,335**
Amortisation charge for the period	237	—	237
Impairment loss	—	—	—
At 31 March 2013	**2,572**	**—**	**2,572**
Amortisation charge for the period	285	—	285
Impairment loss	—	—	—
Disposals	(1,922)	—	(1,922)
At 31 March 2014	**935**	**—**	**935**
Net book value			
At 31 March 2014	**4,836**	**24,732**	**29,568**
At 31 March 2013	**616**	**24,732**	**25,348**
At 31 March 2012	**553**	**24,732**	**25,285**

Amortisation and impairment losses are recognised in other operating expenses on the statement of comprehensive income.

10. Intangible assets (continued)

Impairment of goodwill

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The goodwill is attributable to the Quest Topco Limited group which is considered to be the only CGU to which the goodwill relates.

The goodwill relates to the acquisition of the Capquest Group by funds managed by TowerBrook in 2011. At 31 March 2014, the recoverable amount was determined by assessing the Directors' estimate of the fair value of the Group, adjusted for expected sales costs, against the carrying value of the net assets of the Group. In estimating the fair value of the Group, the Directors considered current market information indicating the value of the Group in an arm's length sale transaction. The carrying value of the Group's net assets was adjusted for the current financing structure of the Group to assume that an acquirer's funding structure would replace the current group financing structure including the repayment of the Capquest Revolving Credit Facility, Capquest Term Loan Facility, Lombard financing agreement, intercompany balances with Quest Holdings B.V. and other Management loan note holders, and associated accrued loan note interest.

The carrying value of the net assets adjusted for the current financing structure of the Group exceeded the Directors' estimate of the fair value of the Group less costs to sell and it was therefore concluded that there was no impairment.

In the prior years ending 31 March 2012 and 31 March 2013, the Directors have reviewed the carrying value of the goodwill for potential impairment by comparing it to the Group enterprise value. The Directors conclude that no impairment should be recognised on 31 March 2012 or 31 March 2013.

Impairment of other intangible assets

An impairment review was made on the net book value of an in-house produced database system at 31 March 2012, which has been capitalised as an intangible software asset. Following a review of the Group's technology infrastructure and future strategic investment plans to enhance the Group's IT systems, the Directors concluded that it was appropriate to record an impairment of £1,207,000 in relation to the database system. Following the impairment, the carrying value of the asset was £nil which the Director's considered to be the value in use of the asset at that time. This valuation was derived using a discount rate based on the Group's cost of capital.

11. Property, plant and equipment

Capquest Group Limited

	Leasehold Improvements £000	Furniture £000	Computer equipment £000	Total £000
Cost				
At 1 April 2011	196	251	2,618	3,065
Additions	1	—	90	91
At 25 August 2011	**197**	**251**	**2,708**	**3,156**
Accumulated depreciation				
At 1 April 2011	93	180	2,121	2,394
Depreciation charge for the period	8	10	165	183
At 25 August 2011	**101**	**190**	**2,286**	**2,577**
Net book value				
At 25 August 2011	**96**	**61**	**422**	**579**

11. Property, plant and equipment (continued)

Quest Topco Limited

	Leasehold Improvements £000	Furniture £000	Computer equipment £000	Total £000
Cost				
On acquisition of Capquest Group Limited	197	251	2,708	3,156
Additions	8	11	188	207
At 31 March 2012	**205**	**262**	**2,896**	**3,363**
Additions	23	23	215	261
At 31 March 2013	**228**	**285**	**3,111**	**3,624**
Additions	1,560	415	2,977	4,952
Disposals	(7)	(17)	(2,829)	(2,853)
At 31 March 2014	**1,781**	**683**	**3,259**	**5,723**
Accumulated depreciation				
On acquisition of Capquest Group Limited	101	190	2,286	2,577
Depreciation charge for the year	12	47	215	274
At 31 March 2012	**113**	**237**	**2,501**	**2,851**
Depreciation charge for the year	21	11	288	320
At 31 March 2013	**134**	**248**	**2,789**	**3,171**
Depreciation charge for the year	98	53	285	436
Disposals	(4)	(17)	(2,829)	(2,850)
At 31 March 2014	**228**	**284**	**245**	**757**
Net book value				
At 31 March 2014	**1,553**	**399**	**3,014**	**4,966**
At 31 March 2013	**94**	**37**	**322**	**453**
At 31 March 2012	**92**	**25**	**395**	**512**

12. Financial assets

	31 March 2014 £000	31 March 2013 £000	31 March 2012 £000
Non-current:			
Purchased loan portfolios	87,381	76,887	50,345
	87,381	76,887	50,345
Current:			
Purchased loan portfolios	31,731	23,352	20,637
Portfolio write up/(down)	8,904	2,558	(430)
Impairment of portfolios	(11,654)	(510)	(2,901)
	28,981	25,400	17,306
Total	**116,362**	**102,287**	**67,651**

Purchased loan portfolios

The Group recognises income from purchased loan portfolios in accordance with IAS 39. At 31 March 2014, the carrying amount of the purchased loan portfolio asset was £116,362,000 (31 March 2013: £102,287,000; 31 March 2012: £67,651,000).

12. Financial assets (continued)

The movements in purchased loan portfolio assets were as follows:

Capquest Group Limited

	Period Ended 25 August 2011 £000
As at 1 April 2011	65,204
Portfolios acquired during the period	12
Collections in the period	(17,496)
Income from purchased loan portfolios	9,652
As at 25 August 2011	**57,372**

Quest Topco Limited

	Year Ended 31 March 2014 £000	Year Ended 31 March 2013 £000	Year Ended 31 March 2012 £000
As at the year brought forward	102,287	67,651	—
On acquisition of Capquest Group Limited	—	—	57,372
Portfolios acquired during the year	45,558	57,168	24,982
Collections in the year	(59,153)	(49,260)	(26,715)
Income from purchased loan portfolios	30,420	24,680	15,343
Portfolio write up/(down)	8,904	2,558	(430)
Impairment of portfolios	(11,654)	(510)	(2,901)
As at the year end	**116,362**	**102,287**	**67,651**

13. Other receivables and prepayments

	31 March 2014 £000	31 March 2013 £000	31 March 2012 £000
Trade receivables	720	751	1,859
Prepayments and other debtors	1,761	1,032	750
Due from parent companies (note 18)	—	718	—
Taxation and social security	—	8	—
Current tax asset	—	4	11
	2,481	**2,513**	**2,620**

The directors consider that the carrying amounts approximate to their fair value as balances are readily converted to cash.

14. Trade and other payables

	31 March 2014 £000	31 March 2013 £000	31 March 2012 £000
Trade payables	1,944	938	1,149
Taxation and social security	394	346	322
Other liabilities and accruals	10,424	3,792	4,370
	12,762	**5,076**	**5,841**

The directors consider that the carrying amounts approximate to their fair value on the basis that the balances are short term in nature.

15. Deferred tax liability

	31 March 2014 £000	31 March 2013 £000	31 March 2012 £000
Fair value adjustment on debt portfolio	1,137	1,494	1,681
Trading losses	(1,137)	(1,190)	(792)
Accelerated capital allowances	—	(245)	(2)
Other	—	—	(254)
	—	**59**	**633**

Movement in deferred tax balances during the year:

	As at 31 March 2012 £000	Recognised in income statement £000	As at 31 March 2013 £000	Recognised in income statement £000	As at 31 March 2014 £000
Fair value adjustment on debt portfolio	1,681	(187)	1,494	(357)	1,137
Trading losses	(792)	(398)	(1,190)	53	(1,137)
Accelerated capital allowances	(2)	(243)	(245)	245	—
Other	(254)	254	—	—	—
	633	**(574)**	**59**	**(59)**	**—**

16. Share Capital and reserves

Share capital

The Company has authorised share capital of up to an aggregate nominal amount of £200,000,000.

	Company Year Ended 31 March 2014 £000	Company Year Ended 31 March 2013 £000	Company Year Ended 31 March 2012 £000
Called up and fully paid			
Ordinary Shares of £1.00 each	—	—	—
A Ordinary shares of £0.01 each	1	1	1
A Preferred ordinary shares of £0.001 each	2	1	1
B Ordinary shares of £0.01 each	11	11	11
B Preferred ordinary shares of £0.001 each	4	4	4
C Ordinary Shares of £1.00 each	10	10	10
D Ordinary Shares of £1.00 each	3	3	3
E Ordinary Shares of £1.00 each	—	—	—
F Ordinary Shares of £0.001 each	—	—	—
	31	**30**	**30**

16. Share Capital and reserves (continued)

Reserves

	Share premium £000	Accumulated deficit £000	Dividends on preference shares £000	Total £000
Balance at 1 June 2011	—	—	—	—
Loss for the period	—	(7,654)	—	(7,654)
Dividends on preference shares	—	(388)	388	—
Issue of shares	5,372	—	—	5,372
Balance at 31 March 2012	5,372	(8,042)	388	(2,282)
Loss for the period	—	(6,124)	—	(6,124)
Exchange differences	—	6	—	6
Dividends on preference shares	—	(686)	686	—
Issue of shares	344	—	—	344
Balance at 31 March 2013	5,716	(14,846)	1,074	(8,056)
Loss for the period	—	(17,547)	—	(17,547)
Dividends on preference shares	—	(851)	851	—
Issue of shares	519	—	—	519
Balance at 31 March 2014	**6,235**	**(33,244)**	**1,925**	**(25,084)**

Unpaid dividends that have accrued on the preference shares at 12% are included in reserves.

Preference shares accrue interest at 12% and are convertible at the discretion of the company. There is no fixed date of redemption.

On 3 July 2014 the accrued interest on the preference shares was converted into equity, see note 24.

17. Lease commitments

The Group has entered into commercial leases on office buildings and certain items of computer equipment. The leases on the office buildings have an average life of between 10 and 15 years and the leases on the items of computer equipment have an average life of between 3 and 4 years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

Office buildings	Year Ended 31 March 2014 £000	Year Ended 31 March 2013 £000	Year Ended 31 March 2012 £000
Less than 1 year	758	759	1,381
1-5 years	2,275	1,640	945
5+ years	3,801	1,747	—
	6,834	4,146	2,326

Other assets	Year Ended 31 March 2014 £000	Year Ended 31 March 2013 £000	Year Ended 31 March 2012 £000
Less than 1 year	10	8	11
1-5 years	25	—	8
	35	8	19

18. Related party transactions

Group

Related party balances as at each year end were as follows:

	Quest Holdings B.V. £000	Key management personnel £000	Total £000
Year ended 31 March 2014			
Interest incurred on 12% B loan notes	—	(1,049)	(1,049)
Interest incurred on 12% A loan notes	(10,560)	—	(10,560)
	(10,560)	**(1,049)**	**(11,609)**
Balances outstanding as at 31 March 2014			
12% B loan notes	(718)	(5,231)	(5,949)
Accrued interest due on 12% B loan notes	(248)	(1,779)	(2,027)
12% A loan notes	(88,405)	—	(88,405)
Accrued interest due on 12% A loan notes	(21,705)	—	(21,705)
	(111,076)	**(7,010)**	**(118,086)**
Year ended 31 March 2013			
Interest incurred on 12% B loan notes	—	(642)	(642)
Interest incurred on 12% A loan notes	(7,336)	—	(7,336)
	(7,336)	**(642)**	**(7,978)**
Balances outstanding as at 31 March 2013			
12% B loan notes	—	(5,840)	(5,840)
Accrued interest due on 12% B loan notes	—	(978)	(978)
12% A loan notes	(67,328)	—	(67,328)
Accrued interest due on 12% A loan notes	(11,145)	—	(11,145)
	(78,473)	**(6,818)**	**(85,291)**
Year ended 31 March 2012			
Interest incurred on 12% B loan notes	—	(336)	(336)
Interest incurred on 12% A loan notes	(3,809)	—	(3,809)
	(3,809)	**(336)**	**(4,145)**
Balances outstanding as at 31 March 2012			
12% B loan notes	—	(5,840)	(5,840)
Accrued interest due on 12% B loan notes	—	(336)	(336)
12% A loan notes	(51,997)	—	(51,997)
Accrued interest due on 12% A loan notes	(3,809)	—	(3,809)
	(55,806)	**(6,176)**	**(61,982)**

Summary of transactions

Quest Holdings B.V. was the immediate parent company on 31 March 2014.

Key management personnel include the directors of Quest Topco Limited and Capquest Group Limited, and other shareholders in Quest Topco Limited.

Quest Holdings B.V. and M Brunault, former Chief Executive Officer of Capquest Group Limited, and others, are holders of preference shares issued by Quest Topco Limited. Preference shares accrue interest at 12% and are convertible at the discretion of the company. On 3 July 2014 the accrued interest on the preference shares was converted into equity, see note 24.

18. Related party transactions (continued)

A rate of 12% is receivable on the A and B loan notes. Loan notes are due in 2020 and are therefore receivable after more than one year. All amounts are unsecured. There is no fixed date of redemption. On 3 July 2014 the accrued interest on the loan notes was converted into equity, see note 24.

Remuneration for directors has been disclosed in note 7 along with the profit and loss charges in the year.

19. Investments in subsidiary undertakings

Details of the Company's subsidiaries at 31 March 2012 to 31 March 2014 are as follows:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest (%)	Current status	Parent Company
Quest Bidco Limited	United Kingdom	100	Trading	Quest Topco Limited
Quest Newco Limited	United Kingdom	100	Trading	Quest Bidco Limited
Capquest Group Limited 21.7% owned by BRUInvest (BVI) Limited	United Kingdom	71.3	Trading	Quest Newco Limited
BRUInvest (BVI) Limited	United Kingdom	100	Trading	Quest Newco Limited
Capquest Investments Limited	United Kingdom	100	Trading	Capquest Group Limited
Capquest Debt Recovery Limited	United Kingdom	100	Trading	Capquest Group Limited
Capquest Asset Management Limited	United Kingdom	100	Trading	Capquest Group Limited
Capquest Mortgage Servicing Limited	United Kingdom	100	Trading	Capquest Group Limited
Capquest Debt Recovery SA (pty) Limited	South Africa	100	Trading	Capquest Group Limited

The investments in subsidiaries are all stated at cost.

20. Financial Instruments

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, market risk and liquidity risk that arises throughout the normal course of the Group's business.

Fair values

The directors consider that there are no significant differences between the financial asset values in the consolidated balance sheet and their fair value with the exception of purchased loan portfolios. Except for the unsecured loan notes with fixed rate of 12%, borrowings are considered to be reported at fair value as these were arm's length transactions at prevailing market rate. The fair value of the unsecured loans is shown in note 20.

Assets and liabilities measured at cost less depreciation and impairment include goodwill, property, plant and equipment, and other intangible assets. Such assets are reviewed for impairment indicators. If a triggering event has occurred, the assets are re-measured when the estimated fair value of the corresponding asset or asset group is less than the carrying value. The fair value measurements, in such instances, are based on significant unobservable inputs (Level 3). Key inputs into the impairment review process are outlined in note 10. An impairment of intangible assets was recorded in the period ended 31 March 2012, refer to note 10 for further details. There were no significant impairments recorded during the years ended 31 March 2013 and 2014.

Credit risk

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

20. Financial Instruments (continued)

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 March 2014 £000	Year Ended 31 March 2013 £000	Year Ended 31 March 2012 £000
Purchased loan portfolio	116,362	102,287	67,651
Cash and cash equivalents	16,713	10,562	13,788
Derivative asset	453	250	244
	133,528	**113,099**	**81,683**

The Group's principal activity is the acquisition and management of underperforming portfolios of loans. All purchased portfolios are, by their nature, significantly past due and impaired upon acquisition. No additional collateral is held in respect of the portfolios. The Group performs impairment reviews periodically.

All purchased loan portfolios 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. 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.

Liquidity risk

The Group actively monitors its liquidity and cash flow position to ensure it has sufficient cash and purchased loan portfolio financing in order to fund its activities. The management team 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.

The table below includes both interest and principal cash flows, payable over the contractual life of the non-derivative financial liabilities.

20. Financial Instruments (continued)

As at 31 March 2014:

Amounts due to:

	within 1 year £000	1 - 2 years £000	2 - 5 years £000	5 years and over £000	Total £000
Non-interest bearing					
Trade and other payables	14,687	—	—	—	14,687
Interest bearing					
Revolving credit facility	48,918	—	—	—	48,918
Asset finance	777	715	505	—	1,997
12% A Loan Notes due 2020—Unsecured	—	—	—	88,405	88,405
12% B Loan Notes due 2020—Unsecured	—	—	—	5,949	5,949
Interest on 12% A Loan Notes due 2020—Unsecured	32,924	14,843	55,945	33,565	137,277
Interest on 12% B Loan Notes due 2020—Unsecured	2,985	1,075	4,052	2,431	10,543
Bank loan	798	798	18,444	—	20,040
Total	**101,089**	**17,431**	**78,946**	**130,350**	**327,816**

As at 31 March 2013:

Amounts due to:

	within 1 year £000	1 - 2 years £000	2 - 5 years £000	5 years and over £000	Total £000
Non-interest bearing					
Trade and other payables	6,150	—	—	—	6,150
Interest bearing					
Revolving credit facility	43,843	—	—	—	43,843
Asset finance	81	57	68	—	206
12% A Loan Notes due 2020—Unsecured	—	—	—	67,328	67,328
12% B Loan Notes due 2020—Unsecured	—	—	—	5,840	5,840
Accrued interest on 12% A Loan Notes due 2020—Unsecured	21,705	13,218	49,990	54,363	139,276
Accrued interest on 12% B Loan Notes due 2020—Unsecured	2,027	957	3,621	3,938	10,543
Bank loan	804	804	2,412	16,854	20,874
Total	**74,610**	**15,036**	**56,091**	**148,323**	**294,060**

20. Financial Instruments (continued)

As at 31 March 2012

Amounts due to:

	within 1 year £000	1 - 2 years £000	2 - 5 years £000	5 years and over £000	Total £000
Non-interest bearing					
Trade and other payables	6,229	—	—	—	6,229
Interest bearing					
Revolving credit facility	28,956	—	—	—	28,956
Asset finance	484	69	38	—	591
12% A Loan Notes due 2020—Unsecured	—	—	—	51,997	51,997
12% B Loan Notes due 2020—Unsecured	—	—	—	5,840	5,840
Accrued interest on 12% A Loan Notes due 2020—Unsecured	11,145	10,560	44,638	72,933	139,276
Accrued interest on 12% B Loan Notes due 2020—Unsecured	978	847	3,233	5,283	10,341
Bank loan	971	971	2,913	16,582	21,437
Total	**48,763**	**12,447**	**50,822**	**152,635**	**264,667**

Since 31 March 2014, the accrued interest on the unsecured loan notes has been converted into equity, see note 24.

The table below shows the maturity analysis for derivative financial liabilities.

As at 31 March 2014:

Amounts due to:

	within 1 year £000	1 - 2 years £000	2 - 5 years £000	5 years and over £000	Total £000
Interest rate swaps	—	132	250	—	382
Total	**—**	**132**	**250**	**—**	**382**

As at 31 March 2013:

Amounts due to:

	within 1 year £000	1 - 2 years £000	2 - 5 years £000	5 years and over £000	Total £000
Interest rate swaps	—	—	1,149	—	1,149
Total	—	—	1,149	—	1,149

As at 31 March 2012

Amounts due to:

	within 1 year £000	1 - 2 years £000	2 - 5 years £000	5 years and over £000	Total £000
Interest rate swaps	—	—	495	—	495
Total	**—**	**—**	**495**	**—**	**495**

20. 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 currency risk and interest rate risk considered further below.

Interest rate risk

The Group is exposed to interest rate risk during the year on the purchased loan portfolio financing, related party loans and cash and cash equivalents. The recoverability of debts may be influenced by movements in the interest rate environment. The Group has interest rate swaps in place for a notional amount of £55,000,000 (31 March 2013: £55,000,000; 31 March 2012: £40,000,000).

Interest rate sensitivity analysis

If interest base rates had been 0.5% higher and all other variables were held constant, the Group's loss for the year ended 31 March 2014 would decrease and the Group's equity at that date would increase by £29,000 (31 March 2013: increase in Group's loss and decrease in equity of £26,000; 31 March 2012: increase in Group's loss and decrease in equity of £35,000). This is attributable to the Group's exposure to interest on its cash and cash equivalents.

If LIBOR rates had been 0.25% higher and all other variables were held constant, the Group's loss for the year ended 31 March 2014 would decrease and the Group's equity at that date would increase by £15,000 (31 March 2013: increase in Group's loss and decrease in equity of £13,000; 31 March 2012: increase in Group's loss and decrease in equity of £18,000). This is attributable to the Group's exposure to interest on its revolving credit facility and incorporates the effects of the economic hedge from the interest rate swaps outstanding during the periods noted above.

Foreign currency risk

The Group is exposed to foreign exchange currency risk on purchased loan portfolios, secured loan notes, cash and cash equivalents and its transactions with other related parties.

Foreign currency sensitivity analysis

If foreign exchange rates had been 10% higher than those at the balance sheet date and all other variables were held constant, the Group's net assets and result for each denomination of currency would increase/(decrease) as follows:

Equity and net assets	31 March 2014 £000	31 March 2013 £000	31 March 2012 £000
Currency			
Euro (EUR)	1	4	2
	1	**4**	**1**

Net Loss	Year Ended 31 March 2014 £000	Year Ended 31 March 2013 £000	Year Ended 31 March 2012 £000
Currency			
Euro (EUR)	1	4	2
	1	**4**	**2**

20. Financial Instruments (continued)

If foreign exchange rates had been 10 per cent lower than those at the balance sheet date and all other variables were held constant, the Group's net assets and result for each denomination of currency would increase/(decrease) as follows:

Equity and net assets	31 March 2014 £000	31 March 2013 £000	31 March 2012 £000
Currency			
Euro (EUR)	2	4	2
	2	**4**	**2**

Net Loss	Year Ended 31 March 2014 £000	Year Ended 31 March 2013 £000	Year Ended 31 March 2012 £000
Currency			
Euro (EUR)	2	4	2
	2	**4**	**2**

10% is considered to be a reasonable expectation of possible fluctuations in rates.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of debt, cash and cash equivalents and equity. The Group is not subject to any externally imposed capital requirements.

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 March was:

	Year Ended 31 March 2014 £000	Year Ended 31 March 2013 £000	Year Ended 31 March 2012 £000
Ordinary share capital and premium	6,266	5,746	5,402
Bank loans	62,650	57,802	42,871
Other loans	1,716	62	530
Unsecured loans	94,354	73,168	57,837
	164,986	**136,778**	**106,640**

The principal covenants of the revolving credit facility that the Group currently has in place are total interest cover, minimum tangible net worth, debt coverage ratio, asset coverage ratio and collection ratio, all are tested monthly.

As at 31 March 2014 the total interest cover was 6.43 times, the minimum tangible net worth was £56.0m, the debt coverage ratio was 7.13 times, the asset cover ratio was 4.56 times and the collection ratio was 91%. Covenants were met throughout the year to 31 March 2014 with the exception of the debt coverage ratio in January 2014. This breach was waived as it was a result of unforeseen issues in purchase loan portfolios.

All covenants have been met since.

20. Financial Instruments (continued)

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.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement 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 historical performance data. The purchased loan portfolios fair value is calculated using discounted net 84-month forecast cash flows. The fair values of derivative instruments are calculated using quoted prices. 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.

Except for unsecured loan notes with fixed rate of 12%, 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. Assets and liabilities measured at fair value on a non-recurring basis include property, plant and equipment, and other intangible assets. Such assets are reviewed for impairment indicators. If a triggering event has occurred, the assets are re-measured when the estimated fair value of the corresponding asset or asset group is less than the carrying value. The fair value measurements, in such instances, are based on significant unobservable inputs (Level 3). There were no significant impairments recorded during the periods ended 31 March 2014 and 2013.

Derivative financial instruments are initially recognised, and subsequently measured, at fair value.

20. Financial Instruments (continued)

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 1 £000	Level 2 £000	Level 3 £000	Total £000
31 March 2014:				
Derivative assets	—	453	—	**453**
Derivative liabilities	—	(382)	—	**(382)**
Net assets	—	71	—	**71**
31 March 2013:				
Derivative assets	—	250	—	**250**
Derivative liabilities	—	(1,149)	—	**(1,149)**
Net liabilities	—	(899)	—	**(899)**
31 March 2012:				
Derivative assets	—	244	—	**244**
Derivative liabilities	—	(495)	—	**(495)**
Net liabilities	—	(251)	—	**(251)**

Of the above derivative contracts, the net fair value asset of £71,000 (31 March 2013: liability of £899,000; 31 March 2012: liability of £251,000) has been determined as a Level 2 measurement. There have been no transfers in or out of Level 2.

Financial instruments not measured at fair value—fair value hierarchy

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets				
31 March 2014:				
Purchased loan portfolios	—	—	141,094	**141,094**
Total assets	—	—	141,094	**141,094**
31 March 2013:				
Purchased loan portfolios	—	—	127,019	**127,019**
Total assets	—	—	127,019	**127,019**
31 March 2012:				
Purchased loan portfolios	—	—	92,383	**92,383**
Total assets	—	—	92,383	**92,383**

20. Financial Instruments (continued)

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

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Liabilities				
31 March 2014:				
Unsecured loan notes	—	165,269	—	165,269
Total liabilities	**—**	**165,269**	**—**	**165,269**
31 March 2013:				
Unsecured loan notes	—	150,480	—	150,480
Total liabilities	**—**	**150,480**	**—**	**150,480**
31 March 2012:				
Unsecured loan notes	—	127,621	—	127,621
Total liabilities	**—**	**127,621**	**—**	**127,621**

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

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 historical 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 effective interest rate are established for each purchased portfolio over 12 months old and 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.

If the 84 month cash collections forecast had been 10% higher/lower at each collection point and all other variables were held constant, the purchased loan portfolio as at 31 March 2014 would increase/ decrease by £11,516,000 (31 March 2013: £10,383,000; 31 March 2012: £7,012,000).

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 IRR, signs off the latest ERC forecast, 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 12.

The fair value of the unsecured loans is calculated using discounted cash flows, applying the current market rates and a credit spread reflective of the Group's current credit standing.

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial assets that are carried in the financial statements.

		Carrying amount			Fair value		
Financial assets	Notes	31 March 2014 £000	31 March 2013 £000	31 March 2012 £000	31 March 2014 £000	31 March 2013 £000	31 March 2012 £000
Purchased loan portfolios	12	116,362	102,287	67,651	141,094	127,019	92,383
Derivative asset	20	453	250	244	453	250	244
Cash and cash equivalents		16,713	10,562	13,788	16,713	10,562	13,788
Other receivables	13	2,481	2,513	2,620	2,481	2,513	2,620
Total assets		**136,009**	**115,612**	**84,303**	**160,741**	**140,344**	**109,035**

20. Financial Instruments (continued)

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial liabilities that are carried in the financial statements.

		Carrying amount			Fair value		
Financial liabilities	**Notes**	**31 March 2014 £000**	**31 March 2013 £000**	**31 March 2012 £000**	**31 March 2014 £000**	**31 March 2013 £000**	**31 March 2012 £000**
Trade and other payables	14	12,762	5,076	5,841	12,762	5,076	5,841
Loans	21	64,366	57,864	43,401	64,366	57,864	43,401
Unsecured loan notes	21	94,354	73,168	57,837	165,269	150,480	127,621
Interest on unsecured loan notes	21	23,732	12,123	4,145	23,732	12,123	4,145
Derivative liability	20	382	1,149	495	382	1,149	495
Total liabilities		**195,596**	**149,380**	**111,719**	**266,511**	**226,692**	**181,503**

21. Borrowings

As at 31 March:	**Group Year Ended 31 March 2014 £000**	**Group Year Ended 31 March 2013 £000**	**Group Year Ended 31 March 2012 £000**
Revolving credit facility	46,600	41,752	27,260
Bank loan	16,050	16,050	15,611
Other loans	1,716	62	530
Unsecured loan notes	94,354	73,168	57,837
Interest on unsecured loan notes	23,732	12,123	4,145
Total borrowings	**182,452**	**143,155**	**105,383**
Amount due for settlement within 12 months	70,332	53,875	31,850
Amount due for settlement after 12 months	112,120	89,280	73,533
	182,452	**143,155**	**105,383**

All amounts are denominated in GBP.

Revolving credit facility

On 7 November 2006, the Group entered into a revolving credit facility (the ''revolving credit facility'') with Royal Bank of Scotland, as security agent for a consortium of participating financial institutions. The new revolving credit facility terminates in August 2016 and bears interest at a rate per annum equal to LIBOR plus certain mandatory costs and a margin of 4.5% per annum. The new revolving credit facility has total commitments of £110 million.

The Group is also required to pay a commitment fee on available but not utilised or not cancelled commitments under the new revolving credit facility at a rate of 1.75% of the applicable margin per annum on the undrawn portion of each lender's commitment. The new revolving credit facility is secured by the same assets as the senior notes. Interest is paid based on agreement when the facility is drawn down, either payable every one, three or six months.

Term loan facility

On 26 August 2011, the Group entered into a term loan facility with total capital commitments of £16.05 million. The term loan facility terminates in August 2018 and bears interest at a rate per annum equal to LIBOR plus certain mandatory costs and a margin of 5.5% per annum. The Group had drawn the full term loan available as of 31 March 2014.

21. Borrowings (continued)

Unsecured loan notes

On 26 August 2011, the Group issued £52.0 million of 12% unsecured A loan notes and £5.8 million of 12% unsecured B loan notes due 2020. Net proceeds of £52.0 million and £5.8 million included unsecured loan notes issuance costs that were capitalised within the financial instrument. The Group may redeem, at its option, some or all of the unsecured loan notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any.

22. Acquisitions

On 26 August 2011, the Company acquired 100% of the voting shares of Capquest Group Limited for a total consideration of £32,888,000. Capquest Group Limited was acquired to provide debt and equity financing to strengthen Capquest's capital base to support its continued growth and evolution into new areas of the growing market.

Effect of the acquisition

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

	Net assets acquired £000
Intangible assets and property, plant and equipment	2,312
Portfolio assets	57,628
Cash and cash equivalents	16,615
Other receivables	6,593
Other payables	(11,064)
Revolving credit facility	(27,475)
Term bank loan	(16,050)
Unsecured loan notes	(18,033)
Corporation tax liability	(259)
Deferred tax liability	(2,111)
	8,156
Goodwill on acquisition (see note 10)	24,732
Consideration paid	32,888
Consideration paid consists of:	
Shares issued in Quest Topco Limited	385
Loan notes	8,645
Cash	23,858

Goodwill of £24,732,000 arose on acquisition and is tested annually for impairment, see note 10. Goodwill represents the premium paid on acquisition for the enterprise value of the business. None of the goodwill recognised is expected to be deductible for income tax purposes.

23. First-time adoption of IFRS

This historical financial information for the years ended 31 March 2014, 2013 and 2012 is the first the Group has prepared in accordance with the basis of preparation as explained in Note 2. These are the first group statements at Quest Topco Limited level. A reconciliation of previous UK GAAP Group statements for Capquest Group Limited under consideration of the acquisition of Capquest Group Limited by Quest Topco Limited to IFRS is given to help readers. This reconciliation is prepared as if the 1 April 2011 would be the IFRS transition date.

23. First-time adoption of IFRS (continued)

Exemptions applied

The Group has applied the following exemptions:

IFRS 3 *Business Combinations* has not been applied to acquisitions of subsidiaries, which are considered businesses for IFRS that occurred before 1 April 2011. Use of this exemption means that the UK GAAP carrying amounts of assets and liabilities, that are required to be recognised under IFRS, is their deemed cost at the date of acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements.

IFRS 1 also required that the UK GAAP carrying amount of goodwill must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of transition to IFRS and impairment was deemed necessary.

Reconciliation of equity as at 1 April 2011 (date of transition to IFRS) for the Capquest Group Limited group

	Notes	UK GAAP as at 1 April 2011 £000	Remeasurements £000	IFRS as at 1 April 2011 £000
Assets				
Non-current assets				
Intangible assets	B, C	—	1,783	1,783
Property, plant & equipment	C	2,454	(1,783)	671
Purchased loan portfolios	A	—	48,854	48,854
Total non-current assets		**2,454**	**48,854**	**51,308**
Current assets				
Inventory	A	54,486	(54,486)	—
Cash and cash equivalents		7,754	—	7,754
Other receivables	A	5,345	(2,598)	2,747
Purchased loan portfolios	A	—	16,350	16,350
Total current assets		**67,585**	**(40,734)**	**26,851**
Total purchased loan portfolios		—	65,204	65,204
Total assets		**70,039**	**8,120**	**78,159**
Equity				
Share capital		982	—	982
Retained earnings		720	6,009	6,729
Total equity attributable to shareholders		**1,702**	**6,009**	**7,711**
Liabilities				
Non-current liabilities				
Loans		44,848	—	44,848
Unsecured loan notes		2,657	—	2,657
Deferred tax liability	G	—	2,111	2,111
Total non-current liabilities		**47,505**	**2,111**	**49,616**
Current liabilities				
Trade and other payables		7,223	—	7,223
Loans		13,609	—	13,609
Total current liabilities		**20,832**	**—**	**20,832**
Total liabilities		**68,337**	**2,111**	**70,448**
Total equity and liabilities		**70,039**	**8,120**	**78,159**

23. First-time adoption of IFRS (continued)

Reconciliation of equity as at 26 August 2011 (date of transition IFRS) for the Quest Topco Limited group

	Notes	UK GAAP as at 26 August 2011 £000	Remeasurements £000	IFRS as at 26 August 2011 £000
Assets				
Non-current assets				
Intangible assets	B, C	30,741	(4,276)	26,465
Property, plant & equipment	C	2,312	(1,733)	579
Purchased loan portfolios	A	—	33,184	33,184
Total non-current assets		**33,053**	**27,175**	**60,228**
Current assets				
Inventory	A	49,508	(49,508)	—
Cash and cash equivalents		28,382	—	28,382
Other receivables	A	6,593	—	6,593
Purchased loan portfolios	A	—	24,444	24,444
Total current assets		**84,483**	**(25,064)**	**59,419**
Total purchased loan portfolios		—	57,628	57,628
Total assets		**117,535**	**2,111**	**119,646**
Equity				
Share capital		30	—	30
Share premium		5,372	—	5,372
Retained earnings		(2,158)	—	(2,158)
Total equity attributable to shareholders		**3,244**	**—**	**3,244**
Liabilities				
Non-current liabilities				
Loans		16,050	—	16,050
Unsecured loan notes		56,818	—	56,818
Deferred tax liability	G	—	2,111	2,111
Total non-current liabilities		**72,868**	**2,111**	**74,979**
Current liabilities				
Trade and other payables	F	13,949	—	13,949
Loans	E	27,475	—	27,475
Total current liabilities		**41,424**	**—**	**41,424**
Total liabilities		**114,292**	**2,111**	**16,403**
Total equity and liabilities		**117,536**	**2,111**	**119,647**

23. First-time adoption of IFRS (continued)

Group reconciliation of equity as at 31 March 2012

	Notes	UK GAAP £000	Remeasurements £000	IFRS as at 31 March 2012 £000
Assets				
Non-current assets				
Intangible assets	B, C	27,552	(2,267)	25,285
Property, plant & equipment	C	1,131	(619)	512
Purchased loan portfolios	A	—	50,345	50,345
Derivative asset	D	—	244	244
Total non-current assets		**28,683**	**47,703**	**76,386**
Current assets				
Inventory	A	60,719	(60,719)	—
Cash and cash equivalents		13,788	—	13,788
Other receivables	A	3,870	(1,250)	2,620
Purchased loan portfolios	A	—	17,306	17,306
Deferred tax asset	G	201	(201)	—
Total current assets		**78,578**	**(44,864)**	**33,714**
Total purchased loan portfolios		—	*67,651*	*67,651*
Total assets		**107,261**	**2,839**	**110,100**
Equity				
Share capital		30	—	30
Share premium		5,372	—	5,372
Retained earnings		(8,754)	712	(8,042)
Dividend on preference shares		388	—	388
Total equity attributable to shareholders		**(2,964)**	**712**	**(2,252)**
Liabilities				
Non-current liabilities				
Loans		15,696	—	15,696
Unsecured loan notes		57,837	—	57,837
Derivative liability	D	—	495	495
Deferred tax liability	G	—	633	633
Total non-current liabilities		**73,533**	**1,128**	**74,661**
Current liabilities				
Trade and other payables	F, H	5,705	136	5,841
Loans	E	26,842	863	27,705
Interest on unsecured loan notes		4,145	—	4,145
Total current liabilities		**36,692**	**999**	**37,691**
Total liabilities		**110,225**	**2,127**	**112,352**
Total equity and liabilities		**107,261**	**2,839**	**110,100**

23. First-time adoption of IFRS (continued)

Group reconciliation of total comprehensive income for the year ended 31 March 2012

	Notes	UK GAAP for the period 1 April 2011 to 25 August 2011 for the Capquest Group Limited group £000	UK GAAP for the period 1 June 2011 (date of incorporation) to 31 March 2012 for the Quest Topco Limited group £000	UK GAAP for the year ended 31 March 2012 £000	Remeasurements £000	IFRS for the year ended 31 March 2012 £000
Continuing operations						
Revenue						
Income from purchased loan portfolios	A	12,973	29,891	42,864	(17,869)	24,995
Portfolio write up	A	—	—	—	(430)	(430)
Portfolio impairment	A	—	—	—	(2,901)	(2,901)
		12,973	29,891	42,864	(21,200)	21,664
Income from asset management		7,987	2,094	10,081	—	10,081
Total revenue		**20,960**	**31,985**	**52,945**	**(21,200)**	**31,745**
Operating expenses						
Collection activity costs	A	11,393	21,259	32,652	(18,761)	13,891
Professional fees and services		1,741	2,836	4,577	—	4,577
Other operating expenses	B, F	3,712	10,386	14,098	(3,385)	10,713
Total operating expenses		**16,846**	**34,481**	**51,327**	**(22,146)**	**29,181**
Operating profit		**4,114**	**(2,496)**	**1,618**	**946**	**2,564**
Finance income and costs	D, E	(3,583)	(6,619)	(10,202)	(1,114)	(11,316)
Profit/(loss) before tax		**531**	**(9,115)**	**(8,584)**	**(168)**	**(8,752)**
Taxation charge on ordinary activities	G	(134)	352	218	1,277	1,495
Total comprehensive income for the year attributable to equity shareholders		**397**	**(8,763)**	**(8,366)**	**1,109**	**(7,257)**

Notes to the reconciliation of equity as at 1 April 2011 and 31 March 2012 and total comprehensive income for the year ended 31 March 2012.

A Purchased loan portfolios

Under UK GAAP, income from purchased debt was recognised as received. Revenue for performing loan books was the profit element, including interest, forecast for the portfolio. This was recognised over the life of the portfolio on a yield basis in line with collections. Inventory represented the carrying values of portfolios of distressed bought debt. The debt was stated at amortised cost and was realised to cost of sales as collections were received to reflect the expected yield over the life of the portfolio. Loan books were performing debt portfolios which were held as receivables on the balance sheet.

Under IFRS, purchased loan portfolios are financial instruments that are accounted for under IAS 39 and are measured at amortised cost using the effective interest rate method. The effective interest 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 allocated interest income is recorded as income from purchased loan portfolios.

The inventory held under UK GAAP at 1 April 2011 and 26 August 2011 of £54,486,000 and £49,508,000, respectively has been reclassified as purchased loan portfolios and revalued at amortised cost using the effective interest rate method. This has resulted in an uplift in retained earnings of £8,120,000 at 1 April 2011 which has increased the goodwill arising on acquisition of the Capquest Group Limited group on 26 August 2011.

B Goodwill

Under UK GAAP, goodwill is amortised annually over its useful economic life. IFRS does not permit the amortisation of goodwill but requires an annual impairment review to be undertaken. Accordingly, the

23. First-time adoption of IFRS (continued)

amortisation charged under UK GAAP has been reversed and an annual impairment review has been undertaken. The amortisation charge recognised under UK GAAP for the year ended 31 March 2012 was £3,586,000.

The changes from UK GAAP to IFRS relating to assets and liabilities held at the date of acquisition of the Capquest Group Limited group and BRUInvest Limited have increased or decreased the goodwill arising on consolidation accordingly.

At 26 August 2011 and 31 March 2012, goodwill arising on acquisition of the Capquest Group Limited group has increased as a result of the change in valuation of the purchased loan portfolio, being an uplift of the asset by £8,020,000, net of the deferred tax arising as a result of £2,111,000.

C Intangible assets

Under UK GAAP, software and licence costs are capitalised as property, plant and equipment, however these assets are classified as intangible assets under IFRS. These assets have been reclassified as intangible assets on transition to IFRS.

The net book value of the intangible assets reclassified at 1 April 2011, 26 August 2011 and 31 March 2012 were £1,753,000, £1,733,000 and £553,000, respectively.

D Derivative financial instruments

The fair value of interest rate swap contracts is recognised under IFRS, and was not recognised under UK GAAP. The contracts have been brought into the balance on the date of transition to IFRS as an asset, when the derivative has a positive fair value, and a liability, when the derivative has a negative fair value.

The recognition of these derivatives on the balance sheet as resulted in a derivative asset of £244,000 and a deferred liability of £495,000 being recognised at 31 March 2012. The charge to finance costs of £251,000 has been recognised in the total comprehensive income for the year ended 31 March 2012.

E Capitalisation of borrowing costs

Under UK GAAP, the Group capitalised borrowing costs against the loan to which it related, and realised the cost against finance costs on a straight line basis. IFRS requires capitalised borrowing costs to be realised using the effective interest rate method.

During the year ended 31 March 2012 the realisation of the borrowing costs was accelerated as a result of the remeasurement increasing finance costs by £863,000.

F Other financial assets and liabilities

The Group's holiday period runs from 1 January to 31 December. Accordingly, the Group has recognised a holiday pay accrual in respect of unutilised holiday accrued to the balance sheet date. This accrual was not previously recognised under UK GAAP.

The recognition of the holiday pay accrual increased the other operating expenses for the year ended 31 March 2012 and trade and other payables held at 31 March 2012 by £136,000.

G Deferred tax

The various transitional adjustments lead to different temporary differences. Accordingly to the accounting policies, the Group has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.

A deferred tax liability of £2,111,000 was realised on the remeasurement of the purchased loan portfolios identified on page F-167. During the year ended 31 March 2012 £430,000 was released to the tax charge.

24. Post balance sheet events

On 3 July 2014, all of the accrued interest on loan notes and the interest on preference shares were converted to 4,065,399 F Ordinary equity shares using their valuation as at 30 June 2014. These values were as follows:

Accrued interest on loan notes	£27,164,000
Accrued interest on preference shares	£ 2,159,000

On 23 September 2014 a Sale and Purchase Agreement was signed with Arrow Global Group Plc for its acquisition of the Quest Topco Limited group.

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You should rely on the information contained in this Offering Memorandum. Neither the Issuer nor the Initial Purchaser has 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 Purchaser is 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.

Table of Contents

Arrow Global Finance plc

€225,000,000 Senior Secured Floating Rate Notes due 2021

Issue price for Notes: 97.50%

Sole Physical Bookrunner and Global Coordinator

Goldman Sachs International

Co-Managers

Lloyds Bank **The Royal Bank of Scotland plc**

October 30, 2014

OFFERING MEMORANDUM