IMPORTANT NOTICE

THE FOLLOWING OFFERING MEMORANDUM (THE "**OFFERING MEMORANDUM**") IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS WITHIN THE MEANING OF RULE 144A ("**RULE 144A**") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**") THAT ARE ALSO QUALIFIED PURCHASERS (AS DEFINED IN SECTION 2(a)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**")) ("**QUALIFIED PURCHASERS**") OR (2) NON-U.S. PERSONS (WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT ("**REGULATION S**")) AND WHO ARE OUTSIDE OF THE UNITED STATES IN RELIANCE ON REGULATION S UNDER THE U.S. SECURITIES ACT (AND IN RELATION TO INVESTORS IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA OR THE UNITED KINGDOM, NOT A RETAIL INVESTOR (AS DEFINED HEREIN IN EACH CASE)).

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

The Offering Memorandum has been prepared in connection with the Offering (as defined herein) described therein. The Offering Memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

IF YOU ARE NOT THE INTENDED RECIPIENT OF THIS MESSAGE, PLEASE DO NOT DISTRIBUTE OR COPY THE INFORMATION CONTAINED IN THIS ELECTRONIC TRANSMISSION, INCLUDING ANY ATTACHMENTS HERETO, BUT INSTEAD DELETE AND DESTROY ALL COPIES OF THIS ELECTRONIC TRANSMISSION, INCLUDING ANY ATTACHMENTS HERETO.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OR SOLICITATION OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, APPLICABLE STATE OR LOCAL SECURITIES LAWS AND APPLICABLE LAWS OF OTHER JURISDICTIONS. THE ISSUER HAS NOT AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT, IN RELIANCE ON THE EXEMPTION PROVIDED BY SECTION 3(C)(7) THEREOF.

ACCORDINGLY, THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO, AND THE SECURITIES CAN ONLY BE RESOLD TO PERSONS THAT, ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT THAT ARE ALSO QUALIFIED PURCHASERS OR (2) NON-U.S. PERSONS (WITHIN THE MEANING OF REGULATION S) AND WHO ARE OUTSIDE OF THE UNITED STATES IN RELIANCE ON REGULATION S UNDER THE U.S. SECURITIES ACT (AND IN RELATION TO INVESTORS IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA OR THE UNITED KINGDOM, NOT A RETAIL INVESTOR (AS DEFINED HEREIN)).

THE FOLLOWING OFFERING MEMORANDUM WILL BE ACCESSIBLE IN ELECTRONIC FORMAT AND YOU ACKNOWLEDGE THAT YOU RECEIVED THE FOLLOWING OFFERING MEMORANDUM IN A FORM THAT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE FOLLOWING OFFERING MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

CONFIRMATION OF YOUR REPRESENTATION: In order to be eligible to view the following Offering Memorandum or make an investment decision with respect to the securities described therein, investors must be either (i) qualified institutional buyers within the meaning of Rule 144A under the U.S. Securities Act ("**QIBs**") that is also a Qualified Purchaser or (ii) non-U.S. persons (as defined in Regulation S under the U.S. Securities Act) and who are outside of the United States in reliance on Regulation S under the U.S. Securities Act. The following Offering Memorandum is being sent at your request. By accepting this e-mail and by accessing the following Offering Memorandum, you shall be deemed to have represented to us and the initial purchasers set forth in the attached Offering Memorandum (the "**Initial Purchasers**") that:

(1) you acknowledge that you are receiving such Offering Memorandum in electronic format, and

(2) either you and any customers you represent are:

(a) QIBs that are Qualified Purchasers, or

(b) non-U.S. persons and are not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia (and if you are in a Member State of the European Economic Area or the United Kingdom, you are not a retail investor (as defined below in each case)).

You are reminded that the following Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the following Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the following Offering Memorandum to any other person.

Under no circumstances shall the following Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Notwithstanding that only we are making this offering, if applicable law in a particular jurisdiction requires that any materials relating to the offering be distributed or communicated only by a locally-licensed broker or dealer (and not by one or more of the initial purchasers) in circumstances in which one or more of the initial purchasers (or any affiliate of an initial purchaser) is a locally-licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such locally-licensed initial purchasers or affiliates.

Prohibition of Sales to EEA Retail Investors: The debt securities described in the Offering Memorandum are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"), (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II or (iii) not a qualified investor as defined in the Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering, selling or distributing the debt securities described in the Offering Memorandum or otherwise making them available to retail investors in the EEA has been prepared and therefore offering, selling or distributing such debt securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation. The Offering Memorandum has been prepared on the basis that any offer of such debt securities in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of such debt securities. The Offering Memorandum is not a prospectus for the purposes of the Prospectus Regulation.

Prohibition of Sales to UK Retail Investors: The debt securities described in the Offering Memorandum are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, "**EUWA**"), (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (as amended, the "**UK Prospectus**

Regulation"). Consequently no key information document required by PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (as amended, the "**UK PRIIPs Regulation**") for offering, selling or distributing the debt securities described in the Offering Memorandum or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering, selling or distributing the debt securities described in the Offering Memorandum or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation. The Offering Memorandum has been prepared on the basis that any offer of such debt securities in the United Kingdom will be made pursuant to an exemption under the UK Prospectus Regulation and the FSMA from the requirement to publish a prospectus for offers of such debt securities. The Offering Memorandum is not a prospectus for the purposes of the UK Prospectus Regulation.

Additional Notice in respect of United Kingdom restrictions: The Offering Memorandum is for distribution only to, and is directed only at, persons who are (i) persons having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Order**"); (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order; (iii) outside of the United Kingdom; or (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated, all such persons together being referred to as "**Relevant Persons**." The debt securities described in the Offering Memorandum are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such debt securities will be engaged in only with, Relevant Persons. The Offering Memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by any recipients to any other person. Any person who is not a Relevant Person should not act or rely on the Offering Memorandum or its contents. The debt securities described in the Offering Memorandum are not being offered to the public in the United Kingdom.

MiFID II product governance/Professional investors and eligible counterparties only target market—Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (an "**EEA distributor**") should take into consideration the manufacturers' target market assessment; however, an EEA distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK MiFIR product governance/Professional investors and eligible counterparties only target market—Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any

person subsequently offering, selling or recommending the Notes (a "**UK distributor**") should take into consideration the manufacturer's target market assessment; however, a UK distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

In connection with the Offering, the Initial Purchasers are not acting for anyone other than the Issuer and will not be responsible to anyone other than the Issuer for providing the protections afforded to their clients or for providing advice in relation to the Offering.

The following Offering Memorandum has been addressed to you in an electronic form. You are reminded that documents transmitted electronically may be altered or changed during the process of electronic transmission and consequently neither the Initial Purchasers, any person who controls the Initial Purchasers (as defined herein), or any of their respective directors, officers, employees, affiliates nor agents accepts any liability or responsibility whatsoever in respect of any difference between the following Offering Memorandum accessed by you in electronic format and any version that will be provided to you at a later date.

OFFERING MEMORANDUM **STRICTLY CONFIDENTIAL**
NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES

€640,000,000 Senior Secured Floating Rate Notes due 2027
€400,000,000 4.500% Senior Secured Notes due 2026
£350,000,000 6.000% Senior Secured Notes due 2026

Sherwood Financing plc (the "**Issuer**"), a public limited company incorporated under the laws of England and Wales, is hereby offering (the "**Offering**") €640,000,000 Senior Secured Floating Rate Notes due 2027 (the "**Euro Floating Rate Notes**"), €400,000,000 4.500% Senior Secured Notes due 2026 (the "**Euro Fixed Rate Notes**," and together with the Euro Floating Rate Notes, the "**Euro Notes**") and £350,000,000 6.000% Senior Secured Notes due 2026 (the "**Sterling Notes**," and, together with the Euro Notes, the "**Notes**").

The Issuer is a wholly owned finance subsidiary of Sherwood Parentco Limited (the "**Parent**"). The gross proceeds of the Offering will be used by the Issuer (i) to provide the Proceeds Loan (as defined herein) to Sherwood Financing 2 Limited ("**Finco**") on or about the Issue Date (as defined herein) and (ii) to pay certain fees and expenses associated with the Offering. Finco will use the proceeds from the Proceeds Loan (i) to repay a portion of the amounts outstanding under the Revolving Facility (as defined herein), (a) certain of which were on-lent to Sherwood Acquisitions Limited ("**Bidco**") and will be used by Bidco to finance a portion of the costs in connection with the Transactions (as defined herein) (other than the Offering) and (b) certain of which were on-lent to the Target and its subsidiaries (the "**Target Group**") to repay and cancel the Arrow Global Revolving Credit Facility (as defined herein) and (ii) to provide the Target Loans (as defined herein) to the Target Group to redeem and cancel the Existing Notes (as defined herein). See "*Use of Proceeds*." The offerings of the Euro Floating Rate Notes, the Euro Fixed Rate Notes and the Sterling Notes are not conditional on one another.

Interest will be paid on the Euro Floating Rate Notes quarterly in arrears on February 15, May 15, August 15, and November 15 of each year, beginning on February 15, 2022. The Euro Floating Rate Notes will bear interest at a rate per annum equal to the three-month Euro Inter-bank Offered Rate ("**EURIBOR**") plus 4.625% per year, reset quarterly, provided that EURIBOR shall never be less than 0.0%. The Euro Floating Rate Notes will mature on November 15, 2027. Interest will be paid on the Euro Fixed Rate Notes semi-annually in arrears on May 15, and November 15 of each year, beginning on May 15, 2022. The Euro Fixed Rate Notes will mature on November 15, 2026. Interest will be paid on the Sterling Notes semi-annually in arrears on May 15, and November 15 of each year, beginning on May 15, 2022. The Sterling Notes will mature on November 15, 2026.

The Issuer may redeem some or all of the Notes on or after the dates specified and at the redemption prices set out in this offering memorandum (the "**Offering Memorandum**"). 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 of the Euro Floating Rate Notes, the Euro Fixed Rate Notes and the Sterling Notes, as applicable, at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any. A Change of Control Event, as defined herein, however, will not be deemed to have occurred if a specified consolidated leverage ratio is not exceeded in connection with such event.

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, and will be *pari passu* in right of payment among themselves and with all existing and future indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes.

On or about the Issue Date, the Notes will be guaranteed (the "**Initial Guarantees**") jointly and severally on a senior basis by the Parent, Finco and Bidco (the "**Initial Guarantors**"). As soon as reasonably practicable, and in any case no later than 120 days after the Re-Registration Date (as defined herein), subject to the Agreed Security Principles (as defined herein), the Notes will be guaranteed (the "**Additional Guarantees**," and together with the Initial Guarantees, the "**Guarantees**") jointly and severally by the Target and certain material wholly owned subsidiaries of the Target (the "**Additional Guarantors**," and together with the Initial Guarantors, the "**Guarantors**"). The Guarantors will also guarantee on a senior basis the Revolving Facility (as defined herein), certain hedging obligations, if any, and certain operating facilities, if any. The Guarantees will be subject to contractual and legal limitations and may be released under certain circumstances. See "*Limitations on Validity and Enforceability of Guarantees and Security and Certain Insolvency Law Considerations*" and "*Risk Factors—Risks relating to our structure—There are circumstances other than repayment or discharge of the Notes under which the Collateral Securing the Notes and the Guarantees will be released automatically, without our consent or the consent of the Trustee*."

From the Issue Date, subject to the operation of the Agreed Security Principles, certain perfection requirements, any Permitted Collateral Liens (as defined herein), certain material limitations pursuant to applicable laws and the terms of the Transaction Security Documents (as defined herein), the Notes and the Guarantees will be secured by certain security granted in favor of the Security Agent (the "**Closing Date Collateral**"), including (i) a limited recourse English law share charge over all shares held by Sherwood Midco Limited ("**Midco**") in the Parent and security assignment of intercompany loans owed by the Parent to Midco and (ii) an English law debenture granted by each of the Parent, Finco, Bidco and the Issuer over certain material assets of the Parent, Finco, Bidco and the Issuer, as further described in "*Description of the Notes—Security*." As soon as reasonably practicable after the Re-Registration Date, and in any case no later than 120 days after the Re-Registration Date, subject to the Agreed Security Principles, certain perfection requirements, any Permitted Collateral Liens, certain material limitations pursuant to applicable laws and the terms of the Transaction Security Documents, the Notes and the Guarantees will be secured by certain security granted by the Additional Guarantors in favor of the Security Agent, including (1) an English law debenture over certain material assets of the Additional Guarantors that are incorporated in England and Wales, (2) comparable security for Additional Guarantors incorporated in Guernsey and Jersey, and (3) with respect to the Additional Guarantors incorporated in the Netherlands, security over (i) the material bank accounts of such Additional Guarantors, (ii) intra-Restricted Group receivables, and (iii) shares owned by such Additional Guarantors in the Issuer or the other Guarantors (the "**Post Closing Date Collateral**," and together with the Closing Date Collateral, the "**Collateral**"). Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the Revolving Facility Agreement, certain hedging obligations, if any, and certain operating facilities, if any, that are secured by the Collateral will receive priority with respect to any proceeds received upon any enforcement action over the Collateral. 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 Revolving Facility Agreement, counterparties to certain hedging obligations, if any, and certain operating facilities, if any, have been repaid in full. See "*Description of the Notes—Security*."

There is currently no public market for the Notes. Application will be made to The International Stock Exchange Authority Limited (the "**Authority**") for the listing of the Notes on the Official List of The International Stock Exchange (the "**Exchange**") and admission to trade on the Exchange. There can be no assurances that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted, or that such listing will be maintained. The Exchange is not a regulated market for purposes of the provisions of Directive 2014/65/EU of the European Parliament and the Council of May 15, 2014, as amended ("**MiFID II**"), or Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, "**UK MiFIR**").

Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 50.
Issue price for the Euro Floating Rate Notes: 100.000% plus accrued interest, if any, from and including the Issue Date
Issue price for the Euro Fixed Rate Notes: 100.000% plus accrued interest, if any, from and including the Issue Date
Issue price for the Sterling Notes: 100.000% plus accrued interest, if any, from and including the Issue Date

The Notes and the Guarantees have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or the laws of any state or other jurisdiction of the United States, and may not be offered or sold within the United States, except to "qualified

institutional buyers" ("QIBs") in reliance on (and as defined in) the exemption from registration provided by Rule 144A under the U.S. Securities Act ("Rule 144A") that are also Qualified Purchasers (as defined in Section 2(a)(51) of the U.S. Investment Company Act, 1940, as amended (the "Investment Company Act") ("Qualified Purchasers"), or outside the United States to non-U.S. persons in reliance on Regulation S under the U.S. Securities Act ("Regulation S"). Prospective purchasers of the Notes that are QIBs that are also Qualified Purchasers 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. The Issuer may be a "covered fund" as defined in Section 13 of the Bank Holding Company Act of 1956, as amended (together with the rules, regulations and published guidance thereunder, as amended (the "Volcker Rule")). The Notes and the Guarantees may constitute an "ownership interest" within the meaning of the Volcker Rule. See "*Risk Factors—Risks relating to our financial profile, the Notes and the Guarantees—The Volcker Rule may negatively affect the liquidity and the value of the Notes*." For additional information about eligible offerees and transfer restrictions, see "*Transfer Restrictions*."

The Euro Notes will be issued in registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Sterling Notes will be issued in registered form in minimum denominations of £100,000 and integral multiples of £1,000 in excess thereof. The Notes will be represented by one or more global notes and we expect to deliver the Notes in book-entry form through Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream**") on or about November 8, 2021. See "*Book-Entry; Delivery and Form*."

Joint Global Coordinators and Joint Physical Bookrunners of the Euro Notes

J.P. Morgan **Barclays** **Goldman Sachs Bank Europe SE**

Joint Global Coordinators and Joint Physical Bookrunners of the Sterling Notes

Barclays **J.P. Morgan** **Goldman Sachs Bank Europe SE**

Joint Bookrunners

BofA Securities **Citigroup** **DNB Markets** **HSBC** **Lloyds Bank Corporate Markets** **NatWest Markets**

Offering Memorandum dated October 27, 2021

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IMPORTANT INFORMATION

You should base your decision to invest in the Notes solely on the information contained in this Offering Memorandum. We have not authorized anyone to provide any information or to make any representations other than those contained in this Offering Memorandum. No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this Offering Memorandum and, if given or made, any such information or representation must not be relied upon as having been authorized by us, the Guarantors and the Initial Purchasers, each as defined elsewhere in this Offering Memorandum. You must not rely on any unauthorized information or representations.

We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. The information contained in this Offering Memorandum is current only as of its date. Our business, financial condition, results of operations and prospects may have changed since that date.

This Offering Memorandum is an offer to sell only the Notes offered hereby, and only under circumstances and in jurisdictions where it is lawful to do so. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Notes may not be offered or sold, directly or indirectly, nor may this Offering Memorandum be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction.

You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell any 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. See "*Notice to Investors*."

We are only providing this Offering Memorandum to prospective purchasers of the Notes. You should read this Offering Memorandum before deciding whether to purchase the Notes. You must not:

- use this Offering Memorandum for any other purpose; or
- disclose any information in this Offering Memorandum to any other person.

We have prepared this Offering Memorandum, and we are solely responsible for its contents. This Offering Memorandum is based on information provided by us and other sources that we believe to be reliable. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Notes. In making your investment decision, you should not consider any information in this Offering Memorandum to be investment, legal or tax advice. You should consult your own counsel, accountant and other advisors for legal, tax, business, financial and related advice regarding purchasing the Notes. It should be remembered that the price of securities and the income from them can fluctuate. By purchasing the Notes, you will be deemed to have acknowledged that:

- you have reviewed this Offering Memorandum;

- you have had an opportunity to request, receive and review additional information that you need from us;

- you have made certain acknowledgements, representations and agreements as set forth under the captions "*Transfer Restrictions*;" and

- the Initial Purchasers and the Trustee, the registrar, the transfer agent and the paying agent under the Indenture (as defined in this Offering Memorandum) are not responsible for, and are not making any representation to you concerning, our future performance or the accuracy or completeness of this Offering Memorandum.

We accept responsibility for the information contained in this Offering Memorandum. To the best of our knowledge and belief (having taken reasonable care to ensure that such is the case), the information contained in this Offering Memorandum is in accordance with the facts in all material respects and does not omit anything likely to affect the import of such information in any material respect.

The Notes have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and are subject to certain restrictions on transfer.

Prospective purchasers in the United States are hereby notified that the sellers of the Notes may be relying on the exemption from Section 5 of the U.S. Securities Act provided by Rule 144A under the U.S. Securities Act. For a description of these and certain other restrictions on offers, sales and transfers of the Notes and the distribution of this Offering Memorandum, see "*Notice to Investors*" and "*Transfer Restrictions*." By purchasing any Notes, you will be deemed to have represented and agreed to all of the provisions contained in those sections of this Offering Memorandum.

THE NOTES OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CERTAIN VOLCKER RULE CONSIDERATIONS

THE ISSUER RELIES ON AN ANALYSIS THAT IT DOES NOT COME WITHIN THE DEFINITION OF "INVESTMENT COMPANY" UNDER THE U.S. INVESTMENT COMPANY ACT BECAUSE OF THE EXEMPTION PROVIDED UNDER SECTION 3(C)(7) THEREUNDER. CONSEQUENTLY, THE ISSUER MAY BE A "COVERED FUND" FOR PURPOSES OF SECTION 13 OF THE BANK HOLDING COMPANY ACT OF 1956, AS AMENDED (TOGETHER WITH THE RULES, REGULATIONS AND PUBLISHED GUIDANCE THEREUNDER, AS AMENDED (THE "VOLCKER RULE")). SEE "*RISK FACTORS—RISKS RELATING TO OUR FINANCIAL PROFILE, THE NOTES AND THE GUARANTEES—THE VOLCKER RULE MAY NEGATIVELY AFFECT THE LIQUIDITY AND THE VALUE OF THE NOTES*" AND "*TRANSFER RESTRICTIONS*."

The distribution of this Offering Memorandum and the offering and sale of the Notes in certain jurisdictions may be restricted by law. We and the Initial Purchasers require persons into whose possession this Offering Memorandum comes to inform themselves about and to observe any such restrictions, and neither us nor the Initial Purchasers shall have any responsibility therefor. This Offering Memorandum does not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or invitation would be unlawful. Notwithstanding that only we are making this offering, if applicable law in a particular jurisdiction requires that any materials relating to the offering be distributed or communicated only by a locally-licensed broker or dealer (and not one or more of the Initial Purchasers) in circumstances in which one or more of the Initial Purchasers (or any affiliate of an Initial Purchaser) is such a locally-licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such locally-licensed Initial Purchasers or affiliates. For a description of certain restrictions on offers, sales and resales of Notes and distribution of this Offering Memorandum, see "*Transfer Restrictions*."

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 all other applicable state securities laws. See "*Plan of Distribution*" and "*Notice to Investors*." You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

We have prepared this Offering Memorandum solely for use in connection with the Offering. In the United States, you may not distribute this Offering Memorandum or make copies of it without our prior written consent other than to people you have retained to advise you in connection with the Offering.

This Offering Memorandum summarizes material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this Offering Memorandum. In making an investment decision, you must rely on your own examination of the Group and the terms of the Offering and the Notes, including the merits and risks involved. See "*Where You Can Find More Information*." You should not consider any information in this Offering Memorandum to be legal, business or tax advice regarding an investment in the Notes.

We reserve the right to withdraw the Offering of the Notes at any time. The Initial Purchasers, in consultation with the Issuer, reserve the right to reject any indications of interest to subscribe for the Notes in whole or in part and to allot to any prospective purchaser less than the full amount of the Notes sought by such purchaser. The Initial Purchasers and certain of their affiliates may acquire for their own account a portion of the Notes.

Application will be made to the Authority for the listing of and permission to deal in the Notes on the Official List of the Exchange, and we will submit this Offering Memorandum to the Authority in connection with the listing application. We may also be required to update the information in this Offering Memorandum to reflect changes in its business, financial condition or results of operations and prospects. We cannot guarantee that the Issuer's application for listing of and permission to deal in the Notes on the Official List of the Exchange will be approved as of the date of issuance of the Notes or any date thereafter, and settlement of the Notes is not conditioned on obtaining this listing.

See "*Risk Factors*," immediately following the "*Summary*," for a description of some important factors relating to an investment in the Notes offered by this Offering Memorandum.

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 OF THE EURO NOTES

IN CONNECTION WITH THE ISSUE OF THE EURO NOTES, J.P. MORGAN SECURITIES PLC (THE "EURO STABILIZING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE EURO STABILIZING MANAGER) MAY OVER-ALLOT EURO NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE EURO NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILIZATION MAY NOT NECESSARILY OCCUR. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE EURO NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE OF THE EURO NOTES AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE EURO NOTES.

STABILIZATION OF THE STERLING NOTES

IN CONNECTION WITH THE ISSUE OF THE STERLING NOTES, BARCLAYS BANK PLC (THE "STERLING STABILIZING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STERLING STABILIZING MANAGER) MAY OVER-ALLOT STERLING NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE STERLING NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILIZATION MAY NOT NECESSARILY OCCUR. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE STERLING NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE OF THE STERLING NOTES AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE STERLING NOTES.

NOTICE TO INVESTORS

In connection with the Offering, the Initial Purchasers are not acting for anyone other than the Issuer and will not be responsible to anyone other than the Issuer for providing the protections afforded to their clients or for providing advice in relation to the Offering.

United States

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 the securities laws of any state of the United States or with the SEC or any other securities regulatory authority of any state or other jurisdiction in the United States. The Notes and the Guarantees are subject to certain restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act or any other applicable securities laws, pursuant to registration or an exemption therefrom. The Notes and the Guarantees may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to QIBs that are also Qualified Purchasers in reliance on the exemption from registration provided by Rule 144A or to non-U.S. persons outside of the United States in reliance on (and as defined in) Regulation S. 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. For a description of certain restrictions on transfers of the New Notes, see "*Transfer Restrictions*."

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

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts* ("**NI 33-105**"), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Offering.

European Economic Area

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of (i) a retail client as defined in point (11) of Article 4(1) of MiFID II, (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II or (iii) not a qualified investor as defined in the Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering, selling or distributing the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering, selling or distributing the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation. This Offering Memorandum has been prepared on the basis that any offer of the Notes in the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the Notes. This Offering Memorandum is not a prospectus for the purposes of the Prospectus Regulation.

MiFID II product governance/Professional investors and eligible counterparties only target market

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (an "**EEA distributor**") should take into consideration the manufacturers' target market assessment; however, an EEA distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

United Kingdom

This Offering Memorandum is for distribution only to and is directed only at persons who are (i) persons having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Order**"); (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order; (iii) outside the United Kingdom; or (iv) 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 securities may otherwise lawfully be communicated or caused to be communicated, all such persons together being referred to as "**Relevant Persons**." The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, Relevant Persons. This Offering Memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by any recipients to any other person. Any person who is not a Relevant Person should not act or rely on this Offering Memorandum or its contents. The Notes are not being offered to the public in the United Kingdom.

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA, (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (as amended, the "**UK Prospectus Regulation**"). Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (as amended, the "**UK PRIIPs Regulation**") for offering, selling or distributing the Notes or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering, selling or distributing the Notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

This Offering Memorandum has been prepared on the basis that any offer of the Notes in the United Kingdom will be made pursuant to an exemption under the UK Prospectus Regulation and the FSMA from the requirement to publish a prospectus for offers of the Notes. This Offering Memorandum is not a prospectus for the purposes of the UK Prospectus Regulation.

UK MiFIR product governance/Professional investors and eligible counterparties only target market

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**UK distributor**") should take into consideration the manufacturer's target market assessment; however, a UK distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Jersey

The Issuer has represented and agreed that it has not and will not, without the consent of the Jersey Financial Services Commission (the "**JFSC**"), circulate in Jersey any offer for subscription, sale or exchange of any securities of the Issuer or any other non-Jersey issuer unless such offer is circulated in Jersey by a person or persons authorized to conduct investment business under the Financial Services (Jersey) Law 1998, as amended and (a) such offer does not for the purposes of Article 8 of the Control of Borrowing (Jersey) Order 1958, as amended, constitute an offer to the public, or (b) an identical offer is for the time being circulated in the United Kingdom without contravening the FSMA and is, *mutatis mutandis*, circulated in Jersey only to persons

similar to those to whom, and in a manner similar to that in which, it is for the time being circulated in the United Kingdom.

Guernsey

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 Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended (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, the Banking Supervision (Bailiwick of Guernsey) Law, 1987, the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000, the Insurance Business (Bailiwick of Guernsey) Law, 2002, the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002, the Financial Services Commission (Bailiwick of Guernsey) Law, 1987, and the Registration of Non-Regulated Financial Services Businesses (Bailiwick of Guernsey) Law, 2008, 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 Guernsey Financial Services Commission (the "**GFSC**").

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements, within the meaning of the securities laws of certain jurisdictions, including statements under the sections entitled "*Summary*," "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Industry*," and "*Business*," among others. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, such as the words "believe," "could," "estimate," "anticipate," "expect," "goal," "intend," "may," "will," "plan," "continue," "ongoing," "potential," "predict," "project," "target," "seek," "should" or "would" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategies, plans, objectives, targets, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They may appear in a number of places throughout this Offering Memorandum and may include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, leverage, prospects, growth, strategies and dividend policy and the industry in which we operate.

By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. You should not place undue reliance on forward-looking statements.

Many factors may cause our results of operations, financial condition, liquidity and the development of the industry in which we compete to differ materially from those expressed or implied by the forward-looking statements contained in this Offering Memorandum. These factors include, among others:

- our UK operations are subject to significant oversight by UK regulators that view our operations as "higher risk" activities. Failure to comply with such applicable laws, regulations and codes of practice relating to debt purchase, collection and asset management industries in the UK could result in substantial losses and the suspension, termination or impairment of our ability to conduct business;

- we are subject to extensive regulatory requirements in jurisdictions other than the UK in which we operate and failure to comply with such applicable laws, regulations and codes of practice relating to debt purchase, collection and asset management industries in these jurisdictions could result in substantial losses and the suspension, termination or impairment of our ability to conduct business;

- following the establishment of our Fund and Investment Management business, our fund managers, AGG Capital Management Limited, Norfin and Sagitta, are subject to various laws, regulations and codes of practice applicable to the fund management industry. Failure to comply with such applicable laws, regulations and codes of practice relating to this industry in the applicable jurisdictions could result in substantial losses and the suspension, termination or impairment of our ability to conduct business;

- we are subject to oversight by, and owe contractual obligations of compliance to, Investment Portfolio Sellers;

- we are subject to risks by virtue of the requirements applicable to DCAs and other servicers;

- we are subject to voluntary codes of conduct;

- changes to the regulatory environment in the future in the jurisdictions in which we operate or an increasing volume of legislation may materially adversely affect the debt purchase and collection and fund and asset management industries and impede our business and/or increase our costs;

- the ability to obtain, process, 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 and improper disclosure of our clients' sensitive data, consumer data or a breach of data protection laws could negatively affect our reputation, business, results of operations and financial condition;

- our business, financial condition, cash flows and results of operations have been and may continue to be adversely affected by the COVID-19 pandemic;

- changes in the economic and/or political environment and/or the climate in the markets in which we operate may have a material adverse effect on our business, results of operations and financial condition;

- legal, political and economic uncertainty surrounding Brexit and the nature of the future relationship between the UK and the European Union is likely to be a source of instability in international markets, could cause disruption to and create uncertainty surrounding our business and result in new regulatory challenges and costs;

- terrorist attacks, war and threats of attacks and war may materially and adversely affect consumer spending, and in turn, our financial condition, financial returns and results of operation;

- rising interest rates could impair the ability of customers to pay their debts and/or lead to volatility in real estate prices which could have a material adverse effect on our business, results of operations and financial condition;

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

- we may not be able to procure sufficient funding to purchase further portfolios as they become available on acceptable terms or at all;

- we may be unable to compete with businesses that offer higher prices for portfolios or may otherwise face intensive competitive pressure;

- we may be unable to acquire the level or type of portfolios that we expect or have historically acquired following the development of our Fund and Investment Management business;

- other businesses may develop competitive advantages that we cannot match, which may reduce our access to and success in competitive sale processes for portfolios;

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

- the statistical models and analytical tools we use in our business, including in our calculation of ERC and Net Deal IRR, may prove to be inaccurate and we may not achieve anticipated recoveries;

- 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 adversely affected;

- we may not succeed in growing our Fund and Investment Management business revenue, and Asset Management and Servicing business revenue and/or such revenue sources may become less profitable;

- we may be unable to continue to perform our duties as a fund manager and may be unable to raise future funds from third-party LP investors, limiting our ability to grow and decreasing our income from management and performance fees;

- the vertical alignment of our local platforms under a fund management framework may not prove successful;

- we might be unable to maintain key relationships necessary to conduct our business;

- we would be adversely affected if third parties, including DCAs, law firms and servicers performing servicing and other collections activities on our, the Fund's or future funds' portfolios, perform poorly or fail to comply with applicable laws and regulatory requirements;

- 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 adversely affect our business;

- we may make acquisitions or pursue joint ventures, business combinations or other investments that prove unsuccessful or strain or divert our resources;

- companies that we have acquired, are in the process of acquiring or may acquire in the future may have liabilities that are not known to us that could subject us to liabilities or contingent liabilities that could otherwise have an adverse impact on us, and the indemnity the sellers have agreed to provide may not compensate us in full or at all;

- our operations are highly dependent upon access to, and the functioning and security of, IT applications, systems and infrastructure. A cyber-attack within the business or through the supply chain that impacts systems, processes, or data, compromising the confidentiality, integrity or availability could result in financial losses, regulatory sanctions, and reputational damage;

- 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 may not be able to successfully anticipate, manage or adopt technological changes within the debt purchase, fund and asset management and the financial services industries;

- the need to adapt to customers' changing circumstances and changes to real-estate markets may result in increased Collection Activity and Fund Management Costs, reduced cash flow or imprecise modeling;

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

- errors in our collection process or other operational matters could have a negative effect on our business and reputation;

- negative attention and news regarding the debt purchase and collection industry and individual debt purchasers or collectors, including us and our Fund and Investment Management and Asset Management and Servicing businesses, 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 Investment Portfolio Sellers and other third parties;

- 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 adversely affect our business, prospects, financial condition and results of operations;

- increases in labor costs, potential labor disputes and work stoppages could negatively affect our business;

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

- we may purchase or service portfolios that contain accounts that are not eligible to be collected, including due to defects in customer documentation that may make the customer agreements unenforceable;

- limitations and requirements imposed by Investment Portfolio Sellers of portfolios on us may hinder our operational flexibility;

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

- we are subject to ongoing risks of litigation under consumer credit, collections and other laws;

- 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 may be held liable for the acts of third parties, including DCAs', if we fail to implement and maintain sufficient oversight arrangements;

- the failure of our confidentiality agreements to protect our proprietary processes and systems could materially adversely affect our business ;

- 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;

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

- we are subject to fluctuations in foreign exchange rates;

- derivative transactions may expose us to unexpected risk and potential losses;

- Bidco has made certain assumptions relating to the Acquisition in forecasts that may prove to be materially inaccurate;

- the Target Group may have liabilities that are not known to us;

- certain of the Group's contracts contain change of control provisions, which may allow counterparties to terminate such contracts under circumstances such as the Acquisition;

- we have included in this Offering Memorandum certain unaudited adjusted annualized data and other financial information not prepared in accordance with IFRS;

- this Offering Memorandum includes forward-looking statements, certain targets and assumptions in forecasts that involve risks and uncertainties;

- risks relating to our financial profile, the Notes and the Guarantees; and
- risks relating to our structure.

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, and do not intend, 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.

We urge you to carefully read the sections of this Offering Memorandum entitled "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Industry*" and "*Business*" for a more detailed discussion of the factors that could affect our future performance, our industry and the markets in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Offering Memorandum may not be accurate or occur at all. Accordingly, prospective investors should not place undue reliance on these forward-looking statements, which speak only as of the date on which the statements were made. In addition, from time to time we and our representatives, acting in respect of information provided by us, have made or may make forward-looking statements orally or in writing. These forward-looking statements may be included in, but are not limited to, press releases (including on our website), reports to our security holders and other communications. Although we believe that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

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.

MARKET AND INDUSTRY DATA

The market and competitive position data in the sections "*Summary*," "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Industry*" and "*Business*" of this Offering Memorandum are estimates by management based on industry publications, and from surveys or studies conducted by third-party industry data providers that are generally believed to be reliable. However, the accuracy and completeness of such information is not guaranteed and has not been independently verified. Additionally, industry publications and such studies generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed and in some instances the sources do not assume liability for such information. We have obtained certain of the market and industry data presented in this Offering Memorandum from a report prepared by a leading international management consultant which was commissioned by us in connection with the Acquisition (as defined herein) (the **"Consultant Report**") as well as reports produced by third-party industry specialists such as Bloomberg, Deloitte, Debtwire, KPMG, PricewaterhouseCoopers, and Thomson Reuters, and we have obtained consent from them to reproduce certain of their non-public data in this Offering Memorandum. We cannot assure you of the accuracy and completeness of such data, and we have not independently verified such market data and such data should not be relied upon in making, or refraining from making, any investment decision. We do, however, accept responsibility for the correct reproduction of this information.

In light of the COVID-19 pandemic, the non-performing loan ("**NPL**") industry has been adversely affected. Accordingly, the industry publications, surveys or studies by third-party data providers referred to in this Offering Memorandum may not accurately reflect certain aspects of the NPL industry as they may not contemplate the effects of the COVID-19 pandemic. See "*Risk Factors—Risks Relating to Our Business—Our business, financial condition, cash flows and results of operations have been and may continue to be adversely affected by the COVID-19 pandemic*." In particular, some of the market or industry forecasts referred to in this Offering Memorandum have not been revised in light of the impact of the COVID-19 pandemic on the European (including the United Kingdom) NPL industry, and we cannot assure you that these forecasts will remain relevant, and will not be subject to change, as the effects of the COVID-19 pandemic on the industry become more apparent.

Some of the information herein has been extrapolated from such market data or reports using our experience and internal estimates. Elsewhere in this Offering Memorandum, statements regarding the industry in which we operate and our position in this industry are based solely on our experience, internal studies and estimates, and our own investigation of market conditions. We believe that such information and statements are true and accurate, but there can be no assurance that is the case. Such information and statements have not been verified by any independent sources and are subject to change based on various factors, including those discussed under the heading "*Risk Factors*" in this Offering Memorandum. As a result, neither we nor the Initial Purchasers make any representation as to the accuracy or completeness of any such information or statements in this Offering Memorandum.

Further, in this Offering Memorandum, we make statements about our market positioning relative to other companies in the NPL industry similar to ours. These statements are generally

based on our experience, internal studies and estimates, and our own evaluation of our competitors in the market. Where we present comparative data of certain of our peers, we have derived such data from the publicly available information of these companies or industry publications, surveys or studies by third-party data providers. We cannot guarantee that the comparative peer data that we present in this Offering Memorandum has been prepared or presented on a comparable basis to our own key operating information. We also cannot guarantee the accuracy and completeness of such comparative peer data, and we have not independently verified or reviewed such peer data and such data should not be relied upon in making, or refraining from making, any investment decision. Accordingly, the comparative peer data presented in this Offering Memorandum should be treated with caution, as such information may not be directly comparable to our own key operating information.

The estimated market share data included in this Offering Memorandum are provided by third party advisors, are not part of our financial statements or financial accounting records and have not be audited or otherwise reviewed by outside auditors, consultants or experts. The use or computation of market share may not be comparable to the use or computation of market share measures reported or used by other companies, including in our industry.

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:

- "**AFM**" means the *Autoriteit Financiële Markten* (the Dutch Authority for the Financial Markets);
- "**Board**" means the board of directors of the Parent;
- "**Capquest acquisition**" means the Target Group's acquisition of the Capquest Group in November 2014;
- "**Capquest Group**" means Quest Topco Limited and its subsidiaries, as acquired by AGIHL pursuant to the Capquest acquisition;
- "**CBA 1997**" means the Central Bank Act 1997, as amended of Ireland;
- "**CBI**" means the Central Bank of Ireland;
- "**CCA**" means the UK Consumer Credit Act 1974 and related secondary legislation (as amended);
- "**CCD**" means the EU Consumer Credit Directive (2008/48/EC);
- "**CCMA**" means the Code of Conduct on Mortgage Arrears 2013, as amended, issued by the CBI;
- "**CMVM**" means the *Comissão do Mercado de Valores Mobiliários* (the Portuguese Securities Market Commission);
- "**CONC**" means the FCA's Consumer Credit sourcebook;
- "**Contingent Collections**" means collections of overdue receivables on behalf of third parties;
- "**CPC**" means the Consumer Protection Code 2012, as amended, issued by the CBI;
- "**CPUTR**" means the UK Consumer Protection from Unfair Trading Regulations 2008, as amended;
- "**CRA**" means the UK Consumer Rights Act 2015, as amended;
- "**CSA**" means the UK Credit Services Association;
- "**DBSG**" means the UK Debt Buyers and Sellers Group;

- “**DCA**” or “**debt servicer**” means a provider of debt collection services;
- “**DPA**” means the Data Protection Act 2018, as amended;
- “**EBA**” means the European Banking Authority;
- “**ERC**” means our future estimated remaining collections on debt portfolios acquired by us;
- “**Europa Investimenti**” means Europa Investimenti S.p.A. and its direct and indirect subsidiaries;
- “**EEA**” means the European Economic Area;
- “**EU**” means the European Union;
- “**Existing Portfolios**” means all investment portfolios that we own at the relevant point in time, which are shown as “portfolio investments” on our balance sheet;
- “**Experian**” means Experian PLC;
- “**FCA**” means the UK 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 buy or sell several portfolios over a future period of time at a pre-determined price and quality of debt/asset;
- “**FOS**” means the UK Financial Ombudsman Service;
- “**FSMA**” means the UK Financial Services and Markets Act 2000 and related secondary legislation (as amended);
- “**GDPR**” means Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation);
- “**GEN**” means the FCA’s General Provisions;
- “**Gesphone**” means Gesphone—Serviços de Tratamento e Aquisição de Dívidas S.A., a Portuguese servicer of non-performing loans, which the Target Group acquired in 2015;
- “**GFSC**” means the Guernsey Financial Services Commission;
- “**ICO**” means the UK Information Commissioner’s Office;

- "**Investment Portfolio Originators**" means financial institutions, other initial credit providers or other initial asset originators to consumers, corporations or other entities, certain of which entities choose to sell Paying Accounts, non-Paying Accounts receivables or other non-core assets related thereto to investment portfolio purchasers;

- "**Investment Portfolio Sellers**" means Investment Portfolio Originators and Secondary Sellers;

- "**Irish CSA 2015**" means the Consumer Protection (Regulation of Credit Servicing Firms) Act 2015, as amended, of Ireland;

- "**Irish CSA 2018**" means the Consumer Protection (Regulation of Credit Servicing Firms) Act 2018, as amended, of Ireland;

- "**Irish Data Protection Acts**" means the Data Protection Acts 1998 to 2018 (as amended) of Ireland and any other legislation supplementing and giving further effect to the GDPR in Ireland;

- "**ISO 27001**" means the International Organization for Standardization's certificate for information technology, security techniques, and information security management systems;

- "**IT**" means information technology;

- "**LP**" means a limited partner investor in the Fund;

- "**LSB**" means the UK Lending Standards Board;

- "**Mars acquisition**" means the Target Group's acquisition of Mars Acquisition Limited and its subsidiaries on November 30, 2017;

- "**Mars Capital**" means Mars Capital Finance Limited, a mortgage servicing business with operations in the UK and Ireland;

- "**Mars Capital Ireland**" means Mars Capital Finance Ireland Designated Activity Company and Mars Capital Management Designated Activity Company, authorized credit servicing firms with operations in Ireland;

- "**MCD**" means the EU Mortgage Credit Directive (2014/17/EU) as amended;

- "**MCDO**" means the UK Mortgage Credit Directive Order 2015;

- "**MCOB**" means the FCA's Mortgage and Home Finance Conduct of Business sourcebook;

- "**MCS**" means Promotoria MCS Holding SAS, a French market leader in retail banking assets. The Target Group sold its 15% interest in MCS in October 2017;

- “**Member State**” means a member state of the EU;
- “**Norfin**” means Norfin Investimentos S.A. and its subsidiaries;
- “**NPL**” means non-performing loan;
- “**Oaktree**” means one or more funds managed by Oaktree Capital Management, L.P.;
- “**OFT**” means the UK Office of Fair Trading;
- “**Parr**” means Parr Credit S.r.l. and its subsidiaries;
- “**Parr acquisition**” means the acquisition of Parr on March 1, 2018, by us;
- “**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;
- “**Permitted Purchase Obligations SPVs**” shall bear the meaning ascribed thereto in the section titled “*Description of the Notes*;”
- “**POI Law**” means the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended;
- “**Portfolio Assets**” shall bear the meaning ascribed thereto in the section titled “*Description of the Notes*;”
- “**PRIN**” means the FCA’s Principles for Businesses;
- “**Risk Committee**” means the risk committee of the Board;
- “**Secondary Seller**” means a seller of defaulted or non-core asset investment portfolios where the seller did not provide the initial credit or originate the non-core asset;
- “**SYSC**” means the FCA’s Senior Management Arrangements, Systems and Controls;
- “**TDR Capital**” means the investment funds managed by TDR Capital LLP or, when otherwise indicated or where the context otherwise requires, TDR Capital LLP in its own right;
- “**UK**” means the United Kingdom of Great Britain and Northern Ireland;
- “**UK Regulated Firms**” means Arrow Global Limited, Arrow Global Massey Limited, Arrow Global Legh Limited, Capquest Debt Recovery Limited and Mars Capital, which are authorized and regulated by the FCA to conduct consumer credit and/or mortgage-related regulated activities in the UK;

- "**United States**" or "**U.S.**" means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;

- "**UTCCR**" means the UK Unfair Terms in Consumer Contracts Regulations 1994 and 1999, as amended;

- "**Vesting acquisition**" means the Target Group's acquisition of the Vesting Group in May 2016;

- "**Vesting Group**" means Arrow Global Investments Holdings Benelux B.V. (formerly known as InVesting B.V.) and its direct and indirect subsidiaries;

- "**Whitestar**" means Whitestar Asset Solutions, S.A., a leading Portuguese servicer of secured and unsecured loans, which the Target Group acquired in April 2015 through the Target Group's acquisition of shares in its parent company, Silver Parallel S.A., and completed in April 2017; and

- "**Zenith Group**" means Zenith Service S.p.A. and its direct and indirect subsidiaries.

The Acquisition; 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 Acquisition, the Offering, the Notes and our other debt:

- "**2024 Indenture**" means the indenture dated September 9, 2016, among the Arrow Global Finance plc, AGGHL and The Bank of New York Mellon, London Branch, as trustee, as supplemented by a first supplemental indenture dated October 6, 2017, and a second supplemental indenture dated as of February 12, 2021, by and among the Issuer, the Guarantors, the Trustee and the Security Agent (as it may be further amended, supplemented and/or restated from time to time);

- "**2024 Notes**" means the £220,000,000 5.125% Senior Secured Notes due 2024 and the £100,000,000 5.125% Senior Secured Notes due 2024 issued by Arrow Global Finance plc. The 2024 Notes will be redeemed with the proceeds of the Offering;

- "**2025 Indenture**" means the indenture dated March 29, 2017, among Arrow Global Finance plc, AGGHL and The Bank of New York Mellon, London Branch, as trustee, as supplemented by a first supplemental indenture dated October 6, 2017 (as it may be further amended, supplemented and/or restated from time to time);

- "**2025 Notes**" means the €400,000,000 Senior Secured Floating Rate Notes due 2025 issued by Arrow Global Finance plc. The 2025 Notes will be redeemed with the proceeds of the Offering;

- "**2026 Indenture**" means the indenture dated March 15, 2018, among Arrow Global Finance plc, AGGHL and The Bank of New York Mellon, London Branch, as trustee,

as supplemented by a first supplemental indenture dated February 12, 2021 (as it may be further amended, supplemented and/or restated from time to time);

- "**2026 Notes**" means the €285,000,000 Senior Secured Floating Rate Notes due 2026 and the €75,000,000 Senior Secured Floating Rate Notes due 2026 issued by Arrow Global Finance plc. The 2026 Notes will be redeemed with the proceeds of the Offering;

- "**Acquisition**" means the acquisition of 100% of the outstanding share capital of the Target by Bidco, completed on the Acquisition Completion Date;

- "**Acquisition Completion Date**" means October 11, 2021;

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

- "**Additional Guarantors**" means (i) the Target, (ii) Arrow Global One Limited, (iii) Arrow Global Guernsey Holdings Limited, (iv) Arrow Global Investments Holdings Limited, (v) Arrow Global (Holdings) Limited, (vi) Arrow Global Limited, (vii) Quest Topco Limited, (viii) Quest Bidco Limited, (ix) Quest Newco Limited, (x) CapQuest Group Limited, (xi) Capquest Investments Limited, (xii) Arrow Global Investments Holdings Benelux B.V., (xiii) Fiditon Holding B.V., (xiv) Incassobureau Fiditon B.V., (xv) Arrow SMA LP Limited, (xvi) Arrow SMA GP Limited, (xvii) Arrow Global SMA I LP, (xviii) AGHL Portugal Investment Holdings, S.A. and (xix) Whitestar Asset Solutions, S.A.;

- "**AGG**" means Arrow Global Group plc, a public limited company incorporated under the laws of England and Wales, prior to re-registration as Arrow Global Group Limited, a private limited company following the completion of the Acquisition;

- "**AGGHL**" means Arrow Global Guernsey Holdings Limited, a non-cellular company limited by shares incorporated under the laws of Guernsey with company registration number 49541 and having a registered office address of 1st Floor Albert House South Esplanade St Peter Port Guernsey GY1 1AJ;

- "**Alternative Offer**" means the alternative to the cash offer for the shares of the existing shareholders of the Target pursuant to the Acquisition, whereby certain eligible shareholders of the Target elected on October 11, 2021 to receive rollover securities issued by Topco in exchange for their holding of shares in the Target;

- "**Arrow Global Revolving Credit Facility**" means the revolving credit facility made available under the senior facility agreement relating to a multi-currency revolving facility entered into on July 29, 2016, as amended by an amendment and restatement agreement dated February 24, 2017 and as further amended on March 17, 2017, January 4, 2018 and February 26, 2018 and as amended by an amendment and restatement agreement dated February 26, 2019 and by an amendment agreement dated August 12, 2020, and as it may be further amended from time to time, among Arrow Global

Guernsey Holdings Limited, the guarantors named therein, the security agent named therein and the other parties named therein, with the aggregate size of the facility being £285.0 million. Drawings thereunder were repaid on or about October 19, 2021 with a portion of the drawings under the Revolving Facility and the Arrow Global Revolving Credit Facility was cancelled on such date;

- "**Bidco**" refers to Sherwood Acquisitions Limited, a private limited company incorporated under the laws of England and Wales;

- "**Bridge Facilities**" means the senior secured bridge facilities made available under the Bridge Facilities Agreement. As of the date of this Offering Memorandum, the Bridge Facilities remain undrawn and the commitments under the Bridge Facilities will be canceled upon completion of the Offering on the Issue Date;

- "**Bridge Facilities Agreement**" means the senior secured bridge facilities agreement dated October 6, 2021, among, *inter alios*, the Parent, Bidco, the Issuer, Finco, the guarantors therein, the lenders therein, Global Loan Agency Services Limited as agent and the Security Agent;

- "**Closing Date Collateral**" means the security granted in favor of the Security Agent to secure the Notes and the Guarantees on the Issue Date, including (i) a limited recourse English law share charge over all shares held by Midco in the Parent and security assignment of intercompany loans owed by the Parent to Midco and (ii) an English law debenture granted by each of the Parent, Finco, Bidco and the Issuer granting fixed and floating security over substantially all of the assets of the Parent, Finco, Bidco and the Issuer;

- "**Collateral**" means, collectively, the Closing Date Collateral and the Post Closing Date Collateral;

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

- "**Equity Contribution**" means the £565 million in funds contributed in Bidco in the form of (i) £513 million equity invested indirectly through Midco by investment funds managed or advised by TDR Capital on or about October 15, 2021, for purposes of financing the Acquisition consideration and (ii) £52 million equity contributed in Topco by the Stub Equity Shareholders pursuant to the Alternative Offer;

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

- "**Euro Fixed Rate Notes**" means the Issuer's €400,000,000 4.500% Senior Secured Notes due 2026, to be issued pursuant to the Indenture and offered hereby;

- "**Euro Floating Rate Notes**" means the Issuer's €640,000,000 Senior Secured Floating Rate Notes due 2027, to be issued pursuant to the Indenture and offered hereby;

- "**Euro Notes**" means, collectively, the Euro Floating Rate Notes and the Euro Fixed Rate Notes;

- "**Euro Stabilizing Manager**" means J.P. Morgan Securities plc;

- "**EUWA**" means the European Union (Withdrawal) Act 2018, as amended;

- "**Existing Indentures**" means the 2024 Indenture, the 2025 Indenture and the 2026 Indenture, each of which shall be satisfied and discharged upon redemption of the 2024 Notes, the 2025 Notes and the 2026 Notes with the proceeds of the Offering;

- "**Existing Notes**" means the 2024 Notes, the 2025 Notes and the 2026 Notes, each of which will be redeemed with the proceeds of the Offering;

- "**Finco**" refers to Sherwood Financing 2 Limited, a private limited company incorporated under the laws of England and Wales;

- "**Group**" refers to the Parent and its subsidiaries from time to time (including the Target Group), except where the context otherwise requires or it is otherwise indicated;

- "**Guarantees**" means, collectively, the Initial Guarantees and the Additional Guarantees;

- "**Guarantors**" means, collectively, the Initial Guarantors and the Additional Guarantors;

- "**Holding Company**" shall bear the meaning ascribed thereto in the section titled "*Description of the Notes*;"

- "**IFRS**" means International Financial Reporting Standards, as adopted by the European Commission for use in the European Union or the international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, as the case may be;

- "**Indenture**" means the indenture to be dated as of the Issue Date and governing the Notes by and among the Issuer, the Initial Guarantors, the Trustee and the Security Agent, and to be acceded to by the Additional Guarantors within 120 days after the Re-Registration Date;

- "**Initial Guarantors**" means the Parent, Finco and Bidco;

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

- "**Initial Purchasers**" means Barclays Bank PLC, J.P. Morgan Securities plc, Goldman Sachs Bank Europe SE, Citigroup Global Markets Limited, DNB Markets, a division

of DNB Bank ASA, HSBC Bank plc, Lloyds Bank Corporate Markets plc, Merrill Lynch International and NatWest Markets Plc;

- "**Intercreditor Agreement**" means the intercreditor agreement dated October 6, 2021, as amended and/or restated from time to time, among, *inter alios*, the Parent, Finco, Bidco, the Issuer, the Security Agent and (upon accession) the Trustee;

- "**Investment Company Act**" means the U.S. Investment Company Act, 1940, as amended;

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

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

- "**Issuer**" means Sherwood Financing plc, a public limited company incorporated under the laws of England and Wales, which registered office is located at 20 Bentinck Street, London, United Kingdom,W1U 2EU;

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

- "**Midco**" means Sherwood Midco Limited, a private limited company incorporated under the laws of England and Wales;

- "**Miscellaneous Facilities**" refers to various miscellaneous debt factoring and uncommitted overdraft facilities provided by certain financial institutions in relation to the Target Group's cash management and other administrative requirements in the territories in which the Target Group operates. The Miscellaneous Facilities will remain outstanding on the Issue Date and, as of June 30, 2021, had a cumulative outstanding balance of £3.1 million. For further details, see "*Description of Other Indebtedness—Miscellaneous Facilities*;"

- "**Non-Recourse Facilities**" means the (i) the non-recourse £100 million amortizing loan of AGL Fleetwood Limited (a wholly owned subsidiary of AGG) at a margin of 3.1%, executed on April 30, 2019 and as at June 30, 2021 with a balance outstanding of £54.7 million and secured against certain UK pound sterling investment portfolios (the "**Sterling Non-Recourse Facility**"); and (ii) the non-recourse €104.7 million amortizing loan of AGL Fleetwood 2 Limited (a wholly owned subsidiary of AGG) at a margin of 4.25%, executed on July 1, 2020 and as at June 30, 2021 with a balance outstanding of €48.0 million and secured against certain Portuguese euro investment portfolios (the "**Euro Non-Recourse Facility**"), which are both reflected in our balance sheet due to accounting requirements and will remain outstanding at the Issue Date;

- "**Notes**" means, collectively, the Euro Floating Rate Notes, the Euro Fixed Rate Notes and the Sterling Notes offered hereby;

- "**Offering**" means the offering of the Notes;

- "**Parent**" refers to Sherwood Parentco Limited, a private limited company incorporated under the laws of England and Wales;

- "**Post Closing Date Collateral**" means the Closing Date Collateral and security to be granted by the Additional Guarantors in favor of the Security Agent to secure the Notes and the Guarantees as soon as reasonably practicable after the Re-Registration Date, and in any case no later than 120 days after the Re-Registration Date, including (1) an English law debenture over certain material assets of the Additional Guarantors that are incorporated in England and Wales, (2) comparable security for Additional Guarantors incorporated in Guernsey and Jersey, and (3) with respect to the Additional Guarantors incorporated in the Netherlands, security over (i) the material bank accounts of such Additional Guarantors, (ii) intra-Restricted Group receivables, and (iii) shares owned by such Additional Guarantors in the Issuer or the other Guarantors;

- "**Proceeds Loan**" means the loans of the proceeds of the Notes pursuant to the Proceeds Loan Agreements and all loans directly or indirectly replacing or refinancing such loans or a portion thereof;

- "**Proceeds Loan Agreement**" means one or more loan agreements made on the Issue Date of the proceeds of the Notes, by the Issuer, as lender, to Finco, as borrower, as may be amended from time to time;

- "**Prospectus Regulation**" means Regulation (EU) 2017/1129 (as amended);

- "**Purchase Agreement**" means the Purchase Agreement to be dated as of the date of this Offering Memorandum among, *inter alios*, the Issuer, the Parent and the Initial Purchasers;

- "**Qualified Institutional Buyer**" or "**QIB**" means a Qualified Institutional Buyer as defined in Rule 144A;

- "**Qualified Purchaser**" means a Qualified Purchaser as defined in Section 2(a)(51) of the Investment Company Act;

- "**Re-Registration Date**" means the date on which Target is re-registered as a private limited company, being October 19, 2021;

- "**Regulation S**" means Regulation S under the U.S. Securities Act;

- "**Restricted Group**" shall bear the meaning ascribed there to in the section titled "*Description of the Notes*;"

- "**Revolving Facility**" means the revolving credit facility made available under the Revolving Facility Agreement;

- "**Revolving Facility Agreement**" means the revolving facility agreement, dated October 6, 2021 entered into among, *inter alios*, the Parent, Finco as original borrower,

Global Loan Agency Services Limited as the agent and the Security Agent, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time;

- "**Rule 144A**" means Rule 144A under the U.S. Securities Act;
- "**Security Agent**" means GLAS Trust Corporation Limited;
- "**Sterling Notes**" means the Issuer's £350,000,000 6.000% Senior Secured Notes due 2026, to be issued pursuant to the Indenture and offered hereby;
- "**Sterling Stabilizing Manager**" means Barclays Bank PLC;
- "**Stub Equity Shareholders**" means certain of the Target's eligible shareholders prior to the Acquisition, who elected to accept the Alternative Offer;
- "**Subsidiary Guarantors**" means the Guarantors other than the Parent;
- "**Target**" refers to Arrow Global Group Limited (formerly known as Arrow Global Group plc, a public limited company incorporated under the laws of England and Wales, prior to re-registration as a private limited company following the completion of the Acquisition);
- "**Target Group**" refers to the Target and its subsidiaries from time to time, except where the context otherwise requires or it is otherwise indicated;
- "**Target Loans**" means the intercompany loans made by Finco to the Target Group in connection with the redemption of the Existing Notes with a portion of the proceeds from the Notes, as further described under "*Summary—The Transactions*;"
- "**Topco**" means Sherwood Topco Limited, a private limited company incorporated under the laws of England and Wales;
- "**Transactions**" means, collectively, (i) the Equity Contribution, (ii) the Acquisition, (iii) the entry into the Bridge Facilities Agreement, (iv) the entry into the Revolving Facility Agreement, the drawdowns thereunder and the use of proceeds therefrom, including the repayment and cancellation of the Arrow Global Revolving Credit Facility and funding of a portion of the costs in connection with the Transactions, (v) the issuance of the Notes and the use of proceeds therefrom, including the entry into the Proceeds Loan Agreement for the repayment of a portion of the Revolving Facility and the redemption of the Existing Notes and (vi) the payment of any costs, fees and expenses in relation with the foregoing transactions or transactions or incidental thereto, as further described in "*Summary—The Transactions*;"
- "**Transaction Security Documents**" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the

same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Indenture;

- "**Trustee**" means GLAS Trust Company LLC, as trustee under the Indenture;
- "**UK Prospectus Regulation**" means the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA;
- "**Unrestricted Subsidiaries**" means our Jersey fund management group, which consists of AGG Capital Management (Holdco) Limited ("**ACMH**"), AGG Capital Management Limited ("**ACML**" or the "**Fund Manager**") and ACML's subsidiaries, which includes but is not limited to the general partners of the various funds managed by ACML, together with any subsidiary of the Parent that the board of directors of the Parent may designate to be an Unrestricted Subsidiary in accordance with the Indenture;
- "**U.S. Exchange Act**" means the U.S. Exchange Act of 1934, as amended;
- "**U.S. Securities Act**" means the U.S. Securities Act of 1933, as amended; and
- "**we**," "**us**," and "**our**" refer to, unless the context requires otherwise (i) for the period prior to the completion of the Acquisition, the Target and its subsidiaries, and (ii) following the completion of the Acquisition, the Parent and its subsidiaries (including the Target Group).

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

The Issuer was incorporated under the laws of England and Wales on July 6, 2021, for the purpose of facilitating the Acquisition and the offering of the Notes and the use of proceeds therefrom. The Issuer is a wholly-owned finance subsidiary of the Parent and, following the completion of the Transactions, will have no material assets or liabilities other than those related to the Notes and the Proceeds Loans and will not have engaged in any material activities other than those related to its incorporation, the offering of the Notes and the use of proceeds therefrom.

The Parent was incorporated under the laws of England and Wales on March 29, 2021, for the purpose of facilitating the Acquisition. The Parent is a holding company that indirectly holds shares in the Target. Following the completion of the Transactions, the Parent will have no material assets or liabilities other than those related to the financing arrangements entered into in connection with the Acquisition and its investments in subsidiaries, and it will not have engaged in any material activities other than those related to its incorporation and the financing arrangements entered into in connection with the Acquisition. No other holding companies in the Parent's structure that directly or indirectly hold interests in the Issuer have any material assets or liabilities. As a result, no financial information of the Issuer, the Parent, Finco or Bidco is included in this Offering Memorandum, except for certain limited "as adjusted" financial data presented on a consolidated basis as adjusted to reflect certain effects of the Transactions.

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

- consolidated audited historical financial information for AGG as of and for the years ended December 31, 2018, 2019 and 2020, prepared in accordance with IFRS;
- consolidated audited historical financial information for AGG as of June 30, 2021 and for the six month periods ended June 30, 2020 and 2021, prepared in accordance with IFRS;
- certain *as adjusted* financial information to illustrate the impact of the Offering and the use of net proceeds thereof, to effect the Transactions on the Target Group's consolidated financial statements had these events occurred on July 1, 2020 (with respect to consolidated statement of profit or loss and other comprehensive income data) or on June 30, 2021 (with respect to consolidated balance sheet data); and
- financial measures not determined in accordance with IFRS.

Financial Information for the Target Group

In this Offering Memorandum, we present certain audited financial information for the years ended December 31, 2020, 2019 and 2018, which has been derived from (i) the audited consolidated financial statements of AGG as of and for the year ended December 31, 2020 (the "**2020 Audited Consolidated Financial Statements**"), (ii) the audited consolidated financial statements of AGG as of and for the year ended December 31, 2019 (the "**2019 Audited Consolidated Financial Statements**") and (iii) the audited consolidated financial statements of

AGG as of and for the year ended December 31, 2018 (the "**2018 Audited Consolidated Financial Statements**" and together with the 2020 Audited Consolidated Financial Statements and the 2019 Audited Consolidated Financial Statements, the "**Audited Consolidated Financial Statements**"). The 2018 Audited Consolidated Financial Statements and the 2019 Audited Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the 2020 Audited Consolidated Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Audited Consolidated Financial Statements have been audited by KPMG LLP ("**KPMG**"), our independent auditors, without qualification, as stated in their respective audit opinions included elsewhere in this Offering Memorandum. We have included the Audited Consolidated Financial Statements elsewhere in this Offering Memorandum.

In addition to the Audited Consolidated Financial Statements, we also present in this Offering Memorandum certain unaudited financial information for the six months ended June 30, 2021 (with comparative information for the six months ended June 30, 2020), which has been derived from the unaudited consolidated financial statements of AGG as of and for the six months ended June 30, 2021 (the "**Unaudited Consolidated Financial Statements**," and together with the Audited Consolidated Financial Statements, the "**Consolidated Financial Statements**"). The Unaudited Consolidated Financial Statements have been prepared on a similar basis as the Audited Consolidated Financial Statements described above, but under the requirements of IAS 34 regarding interim financial statements. KPMG has conducted a review of the consolidated financial statements of the Target Group as of and for the six months ended June 30, 2020 and 2021 in accordance with International Standard on Review Engagements (ISRE) 2410, as stated in their review report included elsewhere in this Offering Memorandum. See "*Independent Auditors*" for further details. We have included the Unaudited Consolidated Financial Statements elsewhere in this Offering Memorandum.

In addition to the above, this Offering Memorandum includes certain financial information of AGG on a consolidated basis for the twelve months ended June 30, 2021. This information was calculated by taking the Unaudited Consolidated Financial Statements of AGG and adding those to the 2020 Audited Consolidated Financial Statements and subtracting the unaudited consolidated financial statements of AGG for the six months ended June 30, 2020. The consolidated financial information of AGG for the twelve months ended June 30, 2021 has been prepared solely for the purposes of this Offering Memorandum and is for illustrative purposes only. The consolidated financial information of AGG for the twelve months ended June 30, 2021 is not necessarily representative of the Target's or the Parent's results of operations for any future period or their financial condition at any future date, is unaudited and is not prepared in the ordinary course of our financial reporting or in accordance with IFRS.

We use certain defined terms in this Offering Memorandum to refer to certain items in the 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 the Target Group's consolidated financial statements:

As used in this Offering Memorandum	As presented in the Target Group's consolidated financial statements
Arrow Global Revolving Credit Facility[(1)]	Revolving credit facility
Balance Sheet	Statement of Financial Position
Balance Sheet Cash Collections	Collections in the year
Existing Notes[(2)]	Senior secured notes
Non-Recourse Facilities[(3)]	ABS /Asset-backed loan
Miscellaneous Facilities[(3)]	Bank overdrafts

(1) Drawings under the Arrow Global Revolving Credit Facility were repaid on or about October 19, 2021 with a portion of the drawings under the Revolving Facility and the Arrow Global Revolving Credit Facility was cancelled on such date.
(2) We intend to redeem the Existing Notes with a portion of the proceeds of the Offering.
(3) We do not intend to repay and cancel the Non-Recourse Facilities and the Miscellaneous Facilities with the proceeds of the Offering.

Further, the 2019 Audited Consolidated Financial Statements have been re-presented in the 2020 Audited Consolidated Financial Statements. The re-presentation relates to certain balance sheet items including (i) the inclusion of £26.6 million of bank balances within cash and cash equivalents, that were previously shown within trade and other receivables (this cash balance may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated securitization structure awaiting a payment date); and (ii) the reclassification of £21.7 million from 'other operating expenses' to 'collection activity and fund management costs' as part of the change in the segmental reporting structure as a result of the Target Group now being managed through an integrated asset management model. The total impact on operating expenses as a result of the reclassification is nil. For further information on the re-presentation of the 2019 Audited Consolidated Financial Statements, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Results of Operations*" and "*Summary—Summary Historical Consolidated Financial and Other Information*."

As noted above, the Target Group prepares its financial statements in accordance with IFRS, which differs 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.

The results of operations for prior fiscal years may not be necessarily indicative of the results to be expected for any future period. The preparation of financial statements in conformity with IFRS requires the Target Group to use certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Target Group's 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.*"

After the completion of the Acquisition, the Target Group will not prepare separate consolidated financial statements and we instead intend to report our consolidated financial results at the level of the Parent. Due to this, our future financial statements may not be comparable to the Target Group's consolidated financial statements included in this Offering Memorandum. Our future financial statements could be materially different once the adjustments are made and may

not be comparable to the Target Group's consolidated financial statements included in this Offering Memorandum. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Impacting Comparability—Reporting*."

On the Issue Date, ACMH, ACML and ACML's subsidiaries will be Unrestricted Subsidiaries and therefore not subject to the restrictions under the Indenture. No separate financial information for ACMH and its subsidiaries is included in this Offering Memorandum and the results of these Unrestricted Subsidiaries are consolidated in our Consolidated Financial Statements. During the year ended December 31, 2020, and the six months ended June 30, 2021, the consolidated EBITDA generated by such Unrestricted Subsidiaries was £0.1 million and £1.4 million, which for the six months ended June 30, 2021, represented 2.3% of our total consolidated EBITDA (before Acquisition costs). Further, during the twelve months ended December 31, 2020, 97% of the total revenue for the Asset Management and Servicing and Fund and Investment businesses and total collections received by the Balance Sheet business were received directly by Restricted Group. The remaining 3% was received by ACML, but indirectly received by Restricted Group pursuant to recharges for services that certain of the Restricted Subsidiaries provided to ACML. Additionally, a Restricted Subsidiary, Arrow Global Limited, holds preferred ordinary shares in ACML, entitling it to all dividends declared and paid by the Fund Manager.

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

Issuer Financial Statements

The Issuer was incorporated on July 6, 2021, in connection with the Transactions. As of the date of this Offering Memorandum, the Issuer is a holding company with no revenue-generating activities of its own, and no business operations, material assets or material liabilities, other than those incurred in connection with its incorporation and the Transactions, including indebtedness incurred in connection with the Transactions. Further, Finco was incorporated on July 29, 2021 and Bidco was incorporated on March 29, 2021, in connection with the Transactions. As of the date of this Offering Memorandum, each of Finco and Bidco are holding companies with no revenue-generating activities of their own, and no business operations, material assets or material liabilities, other than those incurred in connection with their respective incorporations and the Transactions, including indebtedness incurred in connection with the Transactions. As a result, no financial information of the Issuer, Finco or Bidco is included in this Offering Memorandum, except for certain limited "as adjusted" financial data presented at the level of the Parent on a consolidated basis as adjusted to reflect certain effects of the Transactions. The Issuer is currently not expected to engage in any activities other than those related to the Transactions and any other future potential transactions permitted by the Indenture.

Parent Financial Statements

The Parent was incorporated on March 29, 2021, in connection with the Transactions. The Acquisition by the Parent of the Target Group was completed on October 11, 2021. Prior to completion of the Acquisition, the Parent was a holding company with no revenue-generating activities of its own, and no business operations, material assets or material liabilities, other than

those incurred in connection with its incorporation and the Transactions. As a result, no historical financial information of the Parent is included in this Offering Memorandum, except for certain limited "as adjusted" financial data presented on a consolidated basis as adjusted to reflect certain effects of the Transactions. After completion of the Acquisition, the Target Group will not prepare separate consolidated financial statements and we instead intend to report our consolidated financial results at the level of the Parent.

Other Financial Information

Financial measures prepared in accordance with IFRS

Measures and ratios that are presented in, or derived from measures that are presented in the Consolidated Financial Statements, which are prepared in accordance with IFRS, consist of the following:

- "**Balance Sheet Cash Collections**," which are presented in our consolidated financial statements and mean cash collections on our existing portfolio investments including ordinary course portfolio sales and put-backs;

- "**Collection Activity and Fund Management Costs**," which are presented in our statement of profit or loss and other comprehensive income and represent the direct costs of collections related to our portfolio investments such as salaries, commissions paid to third-party outsourced providers, credit bureau data costs and legal costs associated with collections, as well as the costs of collecting our Fund and Investment Management revenue and Asset Management and Servicing revenue;

- "**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 typically means that the EIR is set based on forecast 84-Month 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. For portfolio investments measured at fair value through the profit and loss, the EIR typically is calculated using the to the lifetime ERC rather than an 84-Month ERC;

- "**Existing Portfolios**," which mean all investment portfolios that we own at the relevant point in time, which are shown as "portfolio investments" on our balance sheet; and

- "**Working capital adjustments**," which included, historically, the net movement on debtors and creditors, excluding the Arrow Global Revolving Credit Facility, Non-Recourse Facilities, the 2024 Notes and related accrued interest, the 2025 Notes and related accrued interest and the 2026 Notes and related accrued interest, and corporation tax debtors and creditors. Following completion of the Transactions, "working capital adjustments" will include the net movement on debtors and creditors, excluding the Revolving Facility, Non-Recourse Facilities, the Notes and related accrued interest, and corporation tax debtors and creditors.

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 the Consolidated Financial Statements and complementary measures not prepared in accordance with IFRS and not included in the Consolidated Financial Statements. We believe that these complementary measures that are not determined in accordance with IFRS and not included in the 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 the Target Group's IFRS financial measures, such as total income and the balance sheet carrying value on purchased loan portfolios, which are included in the Consolidated Financial Statements.

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

- "**Adjusted EBITDA**," which we define as profit/(loss) for the year adjusted to exclude the effects of finance income and costs, taxation credit/(charge) on ordinary activities, portfolio amortization, depreciation and amortization, foreign exchange gains/(losses), amortization of acquisition and bank facility fees, gain on disposal of leases, profit/(loss) on disposal of intangible assets, share-based payments and deferred consideration renegotiations.

  We present Adjusted EBITDA because we believe that it may enhance an investor's understanding of our performance, our ability to service our debt and other obligations, to maintain our operations and to fund our continued growth, and because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies. We provide the supplemental reconciliations of Adjusted EBITDA to net cash flow and to Balance Sheet Cash Collections because they may enhance an investor's understanding of our cash flow generation that could be used to service or pay down debt, pay income taxes, purchase new portfolio investments and for other uses, as a supplemental measure of profitability. Further, our leverage ratio is calculated as the ratio of Secured Net Debt to Adjusted EBITDA. In addition to 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 investments purchases, which are discretionary;

- "**Adjusted Free Cash Flow**," which means Adjusted EBITDA less cash interest, income taxes and overseas taxation paid and amounts paid for the purchase of property, plant and equipment and intangible assets. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Adjusted Free Cash Flow*" for a reconciliation of Adjusted Free Cash Flow to net cash from operating activities.

We present Adjusted Free Cash Flow because we believe that similar free cash flows measures are frequently used by securities analysts, investors and other interested parties in evaluating similar issuers. Adjusted Free Cash Flow should not be considered as a measure of cash flow from operations under IFRS or as an indicator of liquidity. Adjusted Free Cash Flow is a metric used by management and is intended to be a measure of cash flow available for our discretionary use and before any investment in portfolio acquisitions;

- "**EBITDA**" means our earnings before interest, tax, depreciation and amortization of intangible assets and foreign exchange gains and losses;

- "**Net Debt**," which represents the sum of the outstanding principal amount of the 2024 Notes, the 2025 Notes and the 2026 Notes (in each case, until their redemption using a portion of the proceeds from the Offering of the Notes), amounts outstanding under the Arrow Global Revolving Credit Facility, the Non-Recourse Facilities, the Miscellaneous Facilities and deferred consideration payable in relation to the acquisition of portfolio investments and subsidiaries and associates, less cash and cash equivalents. After giving effect to the Offering and the use of proceeds therefrom, from the Issue Date, Net Debt will include the amount outstanding under the Notes, the Revolving Facility, the Non-Recourse Facilities and Miscellaneous Facilities, less cash and cash equivalents;

- "**Pro Forma Annualized Adjusted EBITDA**" represents our annualized Run-rate Adjusted EBITDA, further adjusted for our targeted cost savings intended as a result of certain organizational changes and completion of strategic review.

  We present Pro Forma Annualized Adjusted EBITDA because it provides useful information regarding a company's ability to service and incur indebtedness, particularly in light of COVID-19 pandemic-related effects on our audited historical data, which impacted our result for the year ended December 31, 2021 and six months ended June 30, 2021. Pro Forma Annualized Adjusted EBITDA does not reflect the full impact of the COVID-19 pandemic on our results of operation;

- "**Run-rate Adjusted EBITDA**" represents our Adjusted EBITDA further adjusted for the run-rate effect of revenues from our Fund and Investment Management and Asset Management and Servicing businesses. We also present Run-Rate Adjusted EBITDA on an annualized basis which is derived by multiplying our Run-rate Adjusted EBITDA for the six months ended June 30, 2021 by two;

- "**Secured Net Debt**" represents our Net Debt that is secured by certain assets and collateral; and

- "**Underlying profit before tax**" represents our reported profit before tax before the deduction of exceptional costs or before the inclusion of exceptional revenues such as exceptional collection activity costs, exceptional other operating expenses and exceptional finance costs. The purpose of this metric is to adjust our profit for one-off exceptional items to assist the user in understanding the underlying results.

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:

- "**Assets under management**" or "**AUM**," refers to the face value of debt portfolios that we manage or service on behalf of our clients who own the debt portfolios;

- "**Capital-light businesses' percentage of Group EBITDA**," which means sum of the Fund and Investment Management business EBITDA and Asset Management and Servicing business EBITDA calculated as a percentage of total EBITDA.

  We present Capital-light businesses' percentage of Group EBITDA because we believe that it enhances an investor's understanding of our new integrated asset manager business model and represents the percentage of our business that is capital-light and supported by our Fund and Investment Management and Asset Management and Servicing businesses;

- "**EBITDA Margin**" is a measure of our EBITDA as a percentage of our total income;

- "**Funds under management**" or "**FUM**," means the value of all fund management assets managed by us, including Arrow Credit Opportunities, Norfin, Europa Investimenti, Sagitta, any of our own capital which we have committed to invest alongside third parties committed capital and our back book;

- "**Gross IRR**," which means a loan portfolio's gross internal rate of return and is calculated using actual cash collections from date of purchase of the loan portfolio to the current date, together with the forecast cash collections from the current date adjusted regularly in line with ERC based on the same assumptions and estimates, which together represent the entire actual and expected future Cash Collections on the investment portfolio.

  Gross IRR, as computed by us, may not be comparable to similar metrics used by other companies in our industry;

- "**Leverage**," which is calculated as Secured Net Debt over Adjusted EBITDA;

- "**Net Deal IRR**," which means a loan portfolio's internal rate of return and is calculated using actual cash collections from date of purchase of the loan portfolio to the current date (net of servicing costs including servicing margin), together with the forecast cash collections from the current date adjusted regularly in line with ERC (net of servicing costs including servicing margin) based on the same assumptions and estimates, which together represent the entire actual and expected future Cash Collections (net of servicing costs including servicing margin) on the investment portfolio.

  Net Deal IRR, as computed by us, may not be comparable to similar metrics used by other companies in our industry; and

- "**84-Month ERC**" and "**120-Month ERC**" (together, "**ERC**"), which mean our estimated remaining Balance Sheet Cash Collections on portfolio investments over an 84-month or 120-month period, respectively, representing the expected future Balance Sheet Cash Collections on portfolio investments 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 ERC and 120-Month ERC are calculated as of a point in time assuming no additional purchases are made thereafter.

  84-Month ERC and 120-Month ERC are metrics that are also often used by other companies in our industry. 84-Month ERC and 120-Month ERC, as computed by us, may not be comparable to similar metrics used by other companies in our industry.

  We present 84-Month ERC and 120-Month ERC because they represent an estimate of the cash value of our portfolio investments at any point in time, which is an important supplemental measure for our Board and management to assess our performance, and underscores the cash generation capacity of the assets backing our business. We use 120-Month ERC in addition to 84-Month 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.

  Under the Indenture, ERC will be calculated based on projected collections from Portfolio Assets, which in turn includes a range of receivables included within the definition of Underlying Portfolio Assets. These Underlying Portfolio Assets may be held directly by us, or could be held by third parties. Specifically, we include within Portfolio Assets (i) Underlying Portfolio Assets owned directly by the Parent and its Restricted Subsidiaries (whether such direct ownership is in whole or in part), (ii) 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 (iii) 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 ERC and 120-Month 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 ERC and 120-Month ERC.

  The balance sheet value of our portfolio investments is derived from the same proprietary ERC forecasting model used to derive 84-Month ERC and 120-Month 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

ERC and 120-Month ERC and those used in the calculation of balance sheet values of portfolio investments.

Our computation of 84-Month ERC and 120-Month ERC could in the future differ from the collection forecasts used to compute and record our portfolio investments on our balance sheet.

The non-IFRS measures and other information presented in this Offering Memorandum have been prepared for information purposes only and have not been prepared in accordance with IFRS, U.S. GAAP or any other internationally accepted accounting principles or audited or reviewed in accordance with any applicable auditing standards. These non-IFRS measures and other information are not identified as accounting measures under IFRS and therefore should not be considered as alternative or substitute measures to evaluate our performance.

You should not consider the foregoing items as alternatives or substitutes 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 or substitutes to profit/(loss) after tax 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.

We present the non-IFRS measures and other information (i) as they are used by our management to monitor and report to the board on financial position and (ii) to present similar measures that are widely used by certain investors, securities analysts and other interested parties as supplemental measures of financial position, financial performance and liquidity. We believe these non-IFRS measures and other information enhance the investor's understanding of our indebtedness and our ability to fund our ongoing operations, make capital expenditures and meet and service our obligations, including our obligations under the Notes.

The non-IFRS measures and other information are based on available information and certain assumptions and estimates that we believe are reasonable in the circumstances. However, these assumptions and estimates are inherently uncertain, subject to a wide variety of significant business, economic and other risks and may differ materially from our actual financial condition

or results of operations. The non-IFRS measures and other information presented in this Offering Memorandum are not intended to comply with the reporting requirements of the SEC and will not be subject to review by the SEC.

The Consolidated Financial Statements are presented in pounds sterling. Figures expressed in currencies other than pounds sterling have been converted at the relevant exchange rate applicable as of the date of the balance sheet included in such Consolidated Financial Statements. In addition, certain measures in this Offering Memorandum are presented on a constant exchange rate basis to enhance their comparability period-to-period. To calculate such measures on a constant exchange rate basis, we have adjusted the prior period item such that the foreign currency conversion applied to that item is made using the same exchange rate as was applied to that item in the current period.

As Adjusted Financial Information

We present in this Offering Memorandum certain information and certain ratios that give effect to the Offering and the use of the proceeds thereof to effect the Transactions, as described in "*Summary—The Transactions*." The adjustments assume that the Transactions occurred on July 1, 2020 (with respect to consolidated statement of profit or loss and other comprehensive income data) or June 30, 2021 (with respect to consolidated balance sheet data).

The *as adjusted* financial information is for informational purposes only and does not necessarily present what our results would actually have been had the Offering and the Transactions actually occurred on July 1, 2020 (with respect to consolidated statement of profit or loss and other comprehensive income data) or June 30, 2021 (with respect to consolidated balance sheet data), and should not be used as the basis of projections for our results of operations or financial condition for any future period. The *as adjusted* financial information is not calculated in accordance with IFRS, has not been prepared in accordance with the requirements of Regulation S-X of the SEC, the Prospectus Regulation, the UK Prospectus Regulation or any generally accepted accounting standards, and has not been audited or reviewed in accordance with applicable auditing standards. Any reliance you place on this information should fully take this into consideration.

Illustrative Data

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

Presentation

References in this Offering Memorandum in the context of annual financial periods to a year (*e.g.*, "2018," "2019" and "2020") are to the financial year ended or ending December 31 of such year.

Rounding

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

Currency Presentation

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

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 the Target Group's 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

Established in 2005, we are a leading European investor and asset manager of debt in the non-performing and non-core assets sector, principally operating in the UK, Portugal, the Netherlands, Italy and the Republic of Ireland ("**Ireland**"). As of June 30, 2021, we had £4.8 billion of FUM, £1,028 million in portfolio investments, £1,572 million 84-month ERC, £1,733 million 120-month ERC, and, in the six months ended June 30, 2021, generated Adjusted Free Cash Flow in the amount of £90.7 million.

We operate as an integrated asset manager, a unique model with three operating divisions that provide strong synergistic benefits to one another. See "*Business—Our businesses*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Our Business Model*." Our model focuses on generating higher levels of capital-light revenue and, as such, is a comparatively less capital-intensive model than many other businesses that operate in our sector. Our three operating divisions are detailed below:

1. *Fund and Investment Management*: Our Fund and Investment Management business invests third-party committed capital on behalf of our clients and includes the management of our inaugural discretionary closed-end fund, Arrow Credit Opportunities (the "**Fund**"), with total capital commitments of €1.7 billion, together with Norfin, Europa Investimenti and Sagitta;

2. *Asset Management and Servicing*: Our Asset Management and Servicing platforms service and manage collections and other activities related to portfolio investments, on behalf of both our Fund and Investment Management business and our Balance Sheet business, as well as third-party clients. We have built market-leading positions, niche-dominant platforms and competitive servicing platforms, with expertise in consumer, real estate, mortgage and SME non-performing loans ("**NPLs**") and non-core asset servicing across the five jurisdictions in which we operate; and

3. *Balance Sheet*: Our Balance Sheet business invests our own capital. Since the deployment of the Fund in 2020, our investments have typically been made by way of a co-investment alongside the Fund, via a 100% owned Jersey partnership, Arrow Global SMA I LP ("**Arrow SMA**"). Going forward, we expect the Balance Sheet business to function primarily for the purpose of co-investment activities alongside the Fund as well as any future funds. We may, however, continue to make

direct investments through this business for certain strategic reasons. The Balance Sheet business also incorporates the financial performance of the back book portfolio investments made prior to the launch of the Fund.

Our businesses provide strong synergistic benefits to one another. Our Fund and Investment Management business, benefiting from our 15-year track record of delivering attractive risk-adjusted returns, invests on behalf of our Balance Sheet business, with typically 25% co-investment in new portfolio investments alongside the Fund, and approximately 71% of these portfolio investments are currently serviced by our Asset Management and Servicing platforms.

We identify, acquire and service a wide range of secured and unsecured defaulted and non-core loan and real estate portfolios primarily from financial institutions, such as banks, institutional fund investors and specialist lenders, playing an active role in helping financial institutions reduce their balance sheets and re-capitalize in order to increase mainstream lending. By purchasing and managing NPLs and other non-core assets, we provide valuable capital and expertise to a growing European market.

Our purpose is to help build better financial futures for our customers, clients, communities, employees and other stakeholders. As such, great importance is placed on achieving fair outcomes for customers through affordable repayment programs and helping them improve their credit score. We believe that we are one of the leading providers of debt purchase and receivables management solutions in the territories in which we operate.

Through our platforms we have developed local knowledge of acquiring and servicing NPLs and other non-core assets across attractive European markets. We offer a differentiated and diversified European NPL strategy by leveraging our deep local expertise across the five key European jurisdictions in which we operate. Our relevant track record and experience having operated in each of our core markets for a long time as well as our familiarity with each asset class provides us with a competitive advantage that is supported by local and experienced "on-the-ground" teams. In addition, our presence in these jurisdictions enables us to target smaller transactions in more sophisticated granular assets where local knowledge provides a competitive advantage and supports the creation of relationships with debt originators, enabling origination of off-market deals (i.e., deals not acquired through a process involving a competitive bid or an auction-like process).

Our ability to meet our targets and deliver consistently high IRR on our portfolio investments is premised on several factors including our experienced investment professionals, our local expertise in acquiring and servicing NPLs and other non-core assets across attractive European markets, our strong origination capabilities with broad reach enabling us to acquire a high level of off-market deals and our leading data analytics capabilities. Our proprietary database incorporates more than 15 years of collection and payment data, over 1,000 deals underwritten since our inception, 10 million customer accounts and over 10,000 of underlying properties across multiple geographies. As we accelerate our movement towards a capital-light strategy, which focuses more on the growth of the Fund and Investment Management and Asset Management and Servicing businesses, and less on our Balance Sheet business, this will result in a change in our financial characteristics. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Our Business Model*."

As part of this shift, it is our intention that our integrated fund manager business model delivers:

- an increase in FUM, with a similar or reduced level of portfolio investments held by our Balance Sheet business;
- an increase in the proportion of the earnings of the business derived from our capital-light businesses;
- an ability to target higher return on capital invested through a reduced use of our own balance sheet to provide returns; and
- an increase in cash generation as capital-light revenues grow and less cash is required for re-investment in our own balance sheet assets, with a concomitant ability to de-lever the business.

To support our transition to a capital-light strategy, we will leverage our strong track record and experience in working with partners through our historic co-investments as well as our long-standing relationships with many of the largest institutional investors in the market. The Fund represented the largest first time fundraise in private debt globally in 2020, the third largest credit fundraise in special situations globally in 2020 and the fourth largest private credit fundraise in Europe. Our track record of generating superior returns during economic dislocation combined with LP investors' demand for private debt strategies provides a strong platform to continue to raise private funds for yield-seeking investors and our transition into a more profitable capital-light model.

Our Key Strengths

We believe we benefit from the following key strengths:

Attractive market with strong growth drivers.

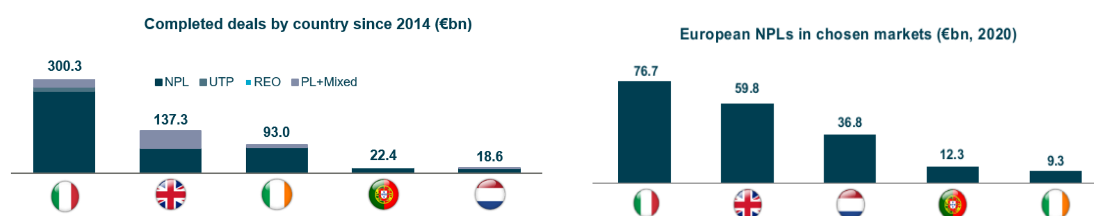
We are a leading European investor and asset manager in the non-performing and non-core assets sector principally operating in the UK, Portugal, the Netherlands, Italy and Ireland, with a 15-year track record of delivering attractive risk-adjusted returns.

Debt originators generally use debt sales as a method for managing the economic, regulatory and commercial aspects of continued ownership of defaulted loans and non-core assets and to accelerate capital release for debts that are already fully or heavily provisioned. The debt purchase and debt servicing industry is a significant component of the debt recovery process in many markets and provides an attractive solution for debt originators facing increasing capital and liquidity regulatory requirements, thereby ultimately benefiting customers. See "*Industry—The debt collection and debt servicing market*." Our business model is designed to benefit from economic dislocation, which leads to an increase in the generation of non-performing and non-core assets. Even prior to the recent economic dislocation caused by the COVID-19 pandemic, our addressable market was very large, at approximately €1.0 trillion. Over half of these assets still sit on bank balance sheets and will need to be sold in due course into the capital markets, where the largest investors are often distressed debt funds. See "*Industry—Market participants*" and

"*Industry—Alternative investment management—Market participants: fund and asset managers.*" Although these assets are created continually, the rise in the level of NPLs is closely tied to periods of economic downturn. This trend was evident following the global financial crisis in 2007 and 2008, where an extremely large number of NPLs were created. The economic dislocation resulting from the COVID-19 pandemic is already resulting in historically high bank provisioning for bad loans, which we expect will begin to be sold in significant volumes in the coming years. See "*Industry—Impact of the COVID-19 pandemic*" Our current internal forecast, based on our analysis of bank provisions and forecast defaults, suggests to us that the economic impact of the COVID-19 pandemic will lead to an increase of approximately 50% in our addressable market. This equates to approximately €500 billion of additional NPLs having been or being created on bank balance sheets.

As of December 31, 2020, the non performing exposures ("**NPE**") volume in EU banks (including the UK) decreased to €528 billion (compared to €584 billion in December 2019), with the year over year drop primarily driven by a significant increase in the support measures implemented to soften the impacts of the COVID-19 pandemic. NPL transaction activity was muted during 2020, marking a slowdown from previous years (total transaction activity of €77.8 billion, down 35% compared to 2019 and down 62% compared to 2018). We believe the impacts of the COVID-19 pandemic will increase transaction activity in 2021, which will in turn create new market opportunities. ECB 2020 stress tests suggest that NPLs levels could reach €1.4 trillion once COVID-19 related financial relief measures are withdrawn (as compared to a €1.2 trillion peak in 2015). See " *Industry—The European NPL market*."

Further, our presence within some of the largest European NPL jurisdictions, being Italy, UK, the Netherlands, Portugal and Ireland, puts us in a position to benefit from what we believe will be the greatest market prospect for non-performing assets since the global financial crisis in 2007/2008. The volume of NPLs in our primary markets is significant, as illustrated below:

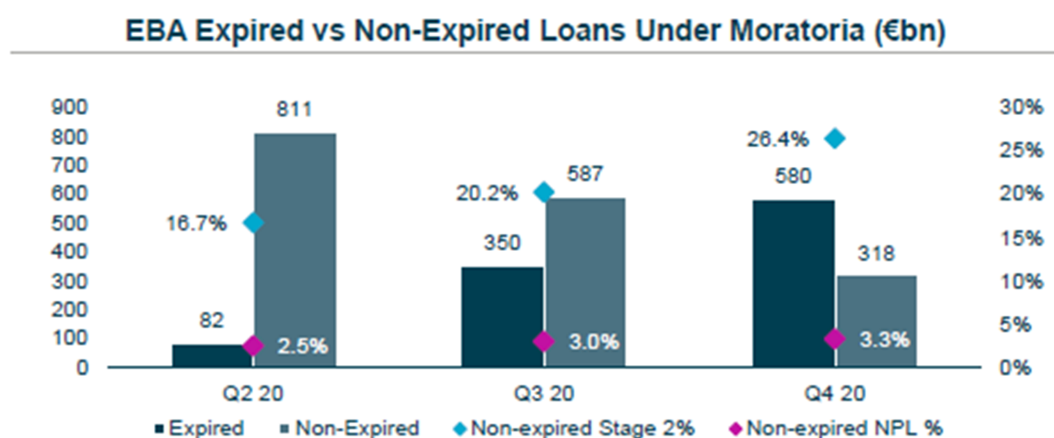


Sources: Company information, ECB, EBA Risk Dashboard, Deloitte and KPMG market reports on European NPL market.

Prior to the current economic dislocation, European banks' NPL ratios had only just begun to approach the levels targeted by the European Banking Authority ("**EBA**") and the ECB. This had followed significant regulatory pressure for banks to recognize impaired assets and subsequently deleverage on an expedited basis. The result was a period of transformational European bank balance sheet restructuring that led to over €700 billion of assets being sold from bank balance sheets into the capital markets. We anticipate that the wave of new non-performing assets that is projected to be created following the current COVID-19-related economic dislocation will continue to mean that regulation is likely to prioritize bank deleveraging, resulting in another large wave of non-performing asset sales in the coming years. See "*Industry—The impact of the*

COVID-19 pandemic." In addition to presenting investment opportunities, increased deleveraging by European banks is also expected to present significant asset servicing opportunities for our Asset Management and Servicing business, which we believe we are well positioned to take advantage of. See "*Industry—The debt collection and debt servicing market—Specialization and standardization.*"

The overall declining trend in total EU NPL volumes during 2020 has been driven by the relief measures adopted to mitigate the adverse economic effects of the COVID-19 pandemic. Over the period since the COVID-19 pandemic began, €900 billion of European loans received support through EBA-eligible moratoria. Our forward outlook is foreseen by the increase in Stage 2 loans (9.1% in December 2020 as compared to 6.5% in December 19). The proportion of Stage 2 loans under moratoria is 26.4%, emphasizing the potential downside risks once the moratoria expire. The chart below illustrates the large proportion of non-expired Stage 2 loans under moratoria.

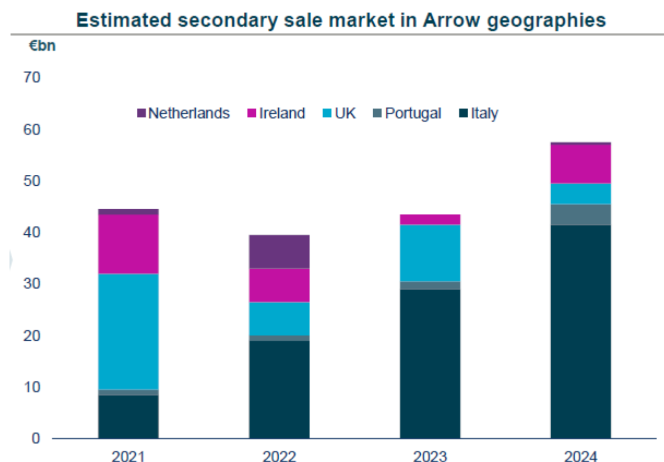


Sources: EBA Risk Dashboard, KPMG Navigating European distressed markets - European debt sales 2021, Deloitte, Deleveraging Europe June 2021.

When government measures and moratoria come to an end, even a subset of these loans souring to NPL would cause banks to face a significant challenge, with a material rise in NPLs volumes, thereby creating market opportunities for new contract wins and investments. According to market consensus, the new flows will push banks to react with significant and prompt disposal processes, with the aim of remaining in line with their NPL maximum holding levels. According to PwC's July 2021 report on the Italian NPL Market, up to €100 billion of distressed credits are expected to flow in the next 24-30 months in Italy alone, one of the largest NPL markets in Europe and one of our key markets.

We are also highly active in the growing secondary market including purchasing NPLs and other non-core assets already serviced by our own platforms. Asset sales to NPL and other non-core asset buyers have grown dramatically in recent years in our key markets, suggesting a large secondary market. A typical non-performing asset portfolio has a long life, with cash collections often generated for over ten years. The majority of the over €700 billion of assets that have been sold by European banks in recent years have been purchased by large distressed asset funds. These asset funds are the largest buyers of non-performing assets in the market. Non-performing assets

are typically held in a closed-end fund structure and then sold at the end of that fund's life. Based on our analysis of previous transactions in the market, we estimate that an additional €300 billion of NPLs will be generated in the market over the next four years. A large number of these NPLs already sit on our servicing platforms, providing us with a unique pipeline of potential investment opportunities, the performance of which can be forecast with a degree of certainty. This greatly enhances risk-adjusted returns should we elect to purchase such assets, which we often do. Our significant estimated secondary sale market in our geographies is illustrated in the chart below.



Sources: Company data; PwC, Deloitte and KPMG market reports on European NPLs market.

Fundraising from LP investors is also an important dynamic for our development and our offering is highly attractive to the growing number of LP investors looking to allocate to private debt. In fact, approximately 81% of the LP investors surveyed indicated that they expected to increase their allocation to alternative investments, including private debt strategies, to more than double the current levels over the next five years from 2% to 5%, according to a 2020 Preqin article regarding the future of alternatives in 2025. Our 2020 fundraise of the Fund represented one of the more successful fundraises of 2020, with the largest first time fundraise in private debt globally, third largest credit fundraise in special situations globally and fourth largest private equity fundraise in Europe. See "*Industry—Alternative investment management*." The fundraising took place during the COVID-19 pandemic, which created various operational issues, including, among others, that LP investors were unable to conduct in-person due diligence in respect of the Fund Manager. However, despite these unprecedented operational hurdles, we successfully facilitated interactions with over 100 LP investors throughout the Fund's fundraising process and we believe that such interactions have led to the formation of a strong pipeline of potential LP investors for future fundraising.

There is also an increasing propensity for banks and other debt originators to outsource their arrears or defaulted accounts collection activities which are not considered a core competency for them. See "*See "Industry—The debt collection and debt servicing market—Specialization and standardization.*" However, collection activities remain a core competency for our Asset Management and Servicing business. This shift to outsourcing collection activities has increased given the COVID-19 pandemic and is an additional market development that we believe will be beneficial for our Asset Management and Servicing business. Throughout 2020, we secured a

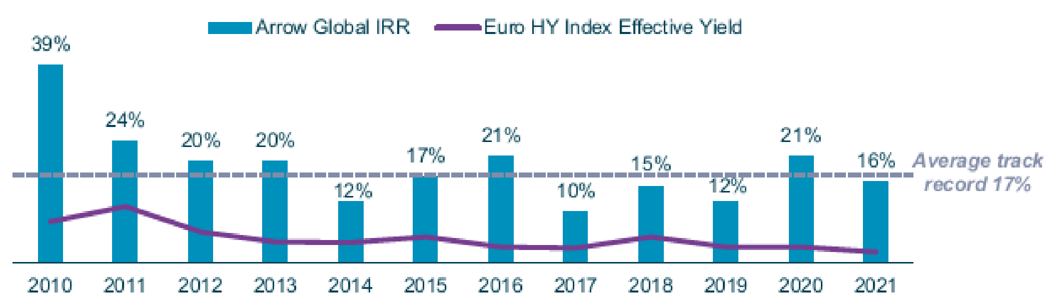
record 26 new contract wins, a further 11 new contracts in the first half of 2021 and we believe that we are well placed to win further new third-party contracts as a servicing partner to financial institutions.

Strong track record of being a leading European investor and asset manager.

We have a strong track record of delivering superior returns, even during periods of economic dislocation, which has provided us with the strong platform to transition to our integrated asset manager model and raise funds from yield-seeking LP investors in the Fund. We believe that the following five factors have been critical in establishing our track record of delivering high IRR on our portfolio investments:

- our people with significant experience and a deep bench of management experience;
- local know-how of acquiring and servicing NPLs and other non-core assets across attractive European markets;
- strong origination capabilities with broad reach allowing us to acquire a high level of off-market deals;
- leading data analytics capabilities, which enable us to underwrite portfolios with accuracy; and
- experience in capital partnering where we have regularly partnered with third-party funds as a minority investor.

Our track record has delivered a 17% Net Deal IRR since 2010 (despite the ERC write down as a result of the COVID 19 pandemic), including the track record of acquired businesses. Our performance by vintage year, shown in the chart below, has driven the results of our Balance Sheet business and also presents a compelling risk/return proposition for LP investors with consistent outperformance against relevant benchmarks, such as the high yield index, as illustrated below:

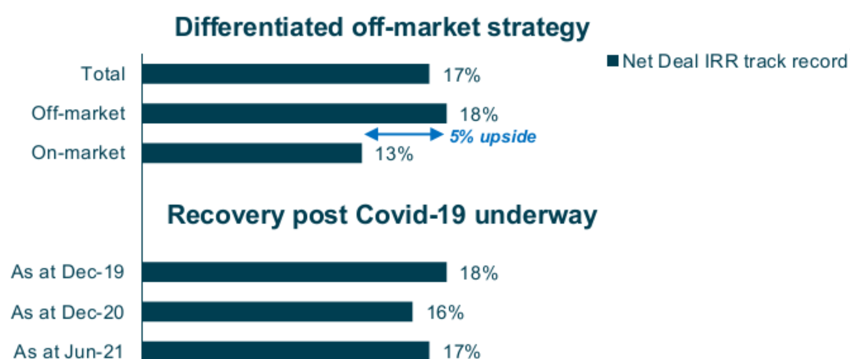


Source: Company information.

Our differentiated origination strategy targets high levels of off-market deals, leveraging off of our strong local presence and the ability to provide asset expertise on a granular basis. During 2020, based on our calculations, 74% of our total deals were acquired off-market, where deals tend

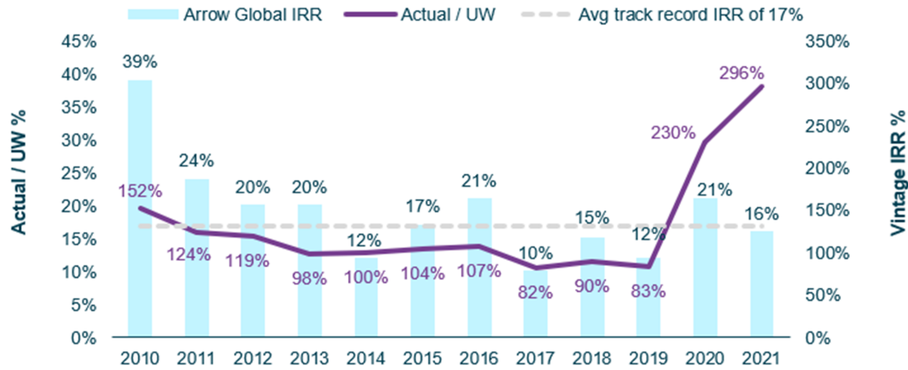
to be smaller (€5 to €40 million investments) and typically deliver higher returns. Such opportunities are only generated from our deep market connections and experienced in-country NPL and non-core asset operational teams. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Results of Operations—Portfolio investments*." The benefit of our differentiated origination strategy is illustrated by the chart below, showing an incremental 5% increase to the Net Deal IRR of off-market deals (18% as of June 30, 2021) compared to on-market transactions (13% as of June 30, 2021) executed through competitive tender processes.

Our track record was impacted by the ERC write down in the first half of 2020 with an overall 2% reduction in the average Net Deal IRR (all deals since 2010) from December 2019 to December 2020. However, the recovery is already underway, driven by the over-performance in actual collections against the ERC and the returns achieved on more recent vintages has already led to a 1% Net Deal IRR recovery.



Source: Company information and internal calculations.

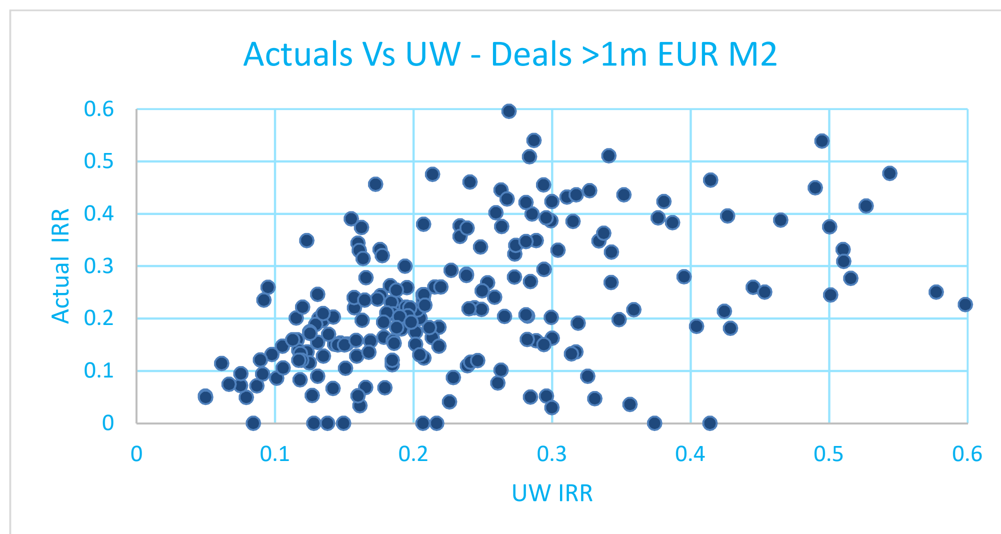
Furthermore, we have strong actual cash realization, and therefore, we have demonstrable evidence that our actual cash collections performance is in line with our underwriting assumptions at the current point in time. As of June 30, 2020, we had realized above 100% of expected cash receipts, per our underwriting curves, in eight out of twelve years (i.e., 2010 to 2021). Our 2017 vintage had two large underperforming deals as a result of collection challenges caused by the counterparty's bankruptcy and systems integration challenges and our 2018 and 2019 vintages have been impacted by the COVID-19 pandemic, which resulted in court closures and therefore impacted our ability to make cash collections. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Results of Operations—Impact of the COVID-19 pandemic*." However, given the over-performance against the current forecast ERC, there is opportunity for recovery of these vintages over time. Notably, the 2020 and 2021 vintages show strong cash recovery of 230% and 296% respectively. The strong performance of our vintages is illustrated by the chart below.



Source: Company information.

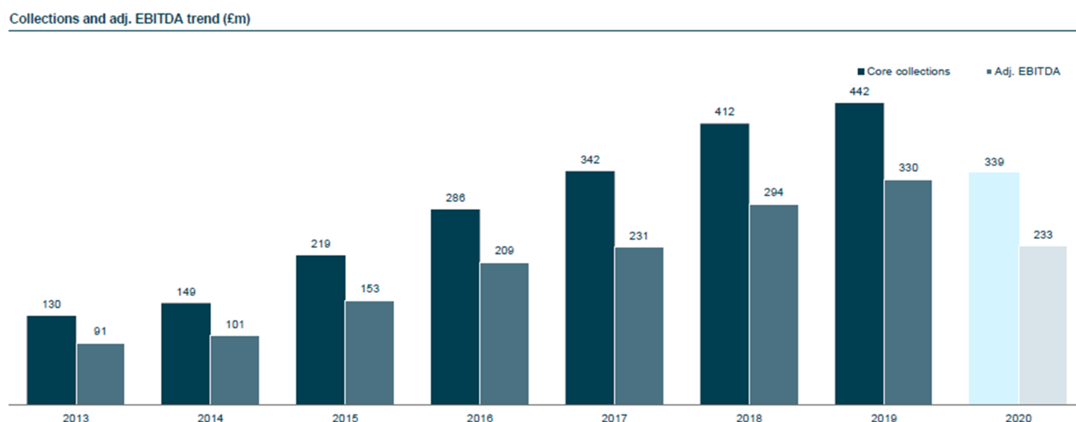
The Net Deal IRR of the 2020 vintage as of December 31, 2020 was 18%. Given the over-performance on actual collections together with reforecast ERC as of June 30, 2021, the Net Deal IRR for the 2021 vintage has increased to 21%. Given the economic uncertainty brought about by the COVID-19 pandemic, we remain cautious and have adopted a conservative approach to our investment strategy and underwriting. As such, the 2021 vintage has been underwritten at a 16% Net Deal IRR. However, there is opportunity for the 2021 vintage to outperform, particularly given that actual collections to June 30, 2021 are 296% of the expected collections at underwriting for that period.

Further, a smaller deal size ensures that our risks are well spread and of the over 1,000 deals with which we have been involved since 2010 to June 30, 2021, the investment loss on all deals that have not recovered cost is only 1.6% and 23% are forecast to make over 20% Net Deal IRR. The chart below shows the track record of deals with a comparison of underwriting versus actual Net Deal IRR.



Source: Company information and management estimates.

As mentioned above and exhibited in the graphic below, we have demonstrated consistent growth of collections and Adjusted EBITDA, with only a slowdown in 2020 due to the COVID-19 pandemic.



Source: Company information.

Integrated asset manager is a unique model not replicated by other market participants.

Following the establishment of our Fund Manager and the raising of the Fund, we have transitioned to an integrated asset manager model, which we believe is unique in our market and enables our three businesses: the Fund and Investment Management, Asset Management and Servicing and Balance Sheet to operate synergistically. Our Fund and Investment Management business originates new investment opportunities, that our Balance Sheet business can co-invest into and our Asset Management and Servicing business can then service.

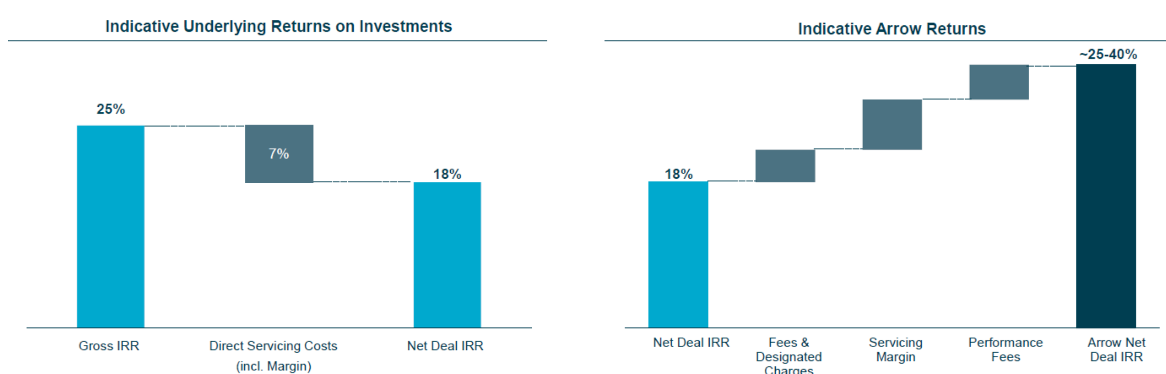
We expect our Balance Sheet business to continue to co-invest alongside fund investments, with a participation of 25% for the Fund and a lower participation, approximately 10%, for subsequent funds. Our Asset Management and Servicing business currently services 71% of the Fund's investments and the Fund pays market referenced fees for such services. The integrated asset manager model enables us to increase capital-light income, through management and performance fees generated by our Fund and Investment Management business and asset management and servicing fees delivered by our Asset Management and Servicing business.

We believe that there are two fundamental benefits to our integrated asset manager model. Firstly, we can invest at scale and further build our considerable intellectual property of investing in our chosen markets and secondly, the increase in capital-light earnings will in due course fundamentally improve our financial profile.

Investing at scale allows us to further build intellectual property through building origination capabilities through broadening and deepening relationships with Investment Portfolio Sellers and extending our reach to source off-market deals. In turn, the increased level of portfolios purchased enriches and builds our data and data analytical capabilities, leading to increased accuracy of underwriting and pricing portfolios. The increased scale is an enabler to create operational leverage within our platforms in our Asset Management and Servicing business, allowing returns to be maximized. Strong returns build our capital-light earnings, enable

deleveraging and increase the appetite from LP investors to commit financing to our subsequent funds, enabling the growth of our Fund Manager with the ability to further grow and increase the scale of our businesses.

Furthermore, our integrated asset manager model drives an improved financial risk profile, given the increase in capital-light earnings generated. The increase in the level of capital-light revenues generated for each investment drives a materially different return on capital employed. The charts below show the indicative returns for a typical balance sheet investor with a Net Deal IRR of 18%, before any overhead allocation versus the indicative returns for us under our integrated asset manager model, showing the build of returns driven by the capital-light revenues, as well as the indicative returns, pre-overheads, for us of between 25% (based upon our current 25% co-investment participation) and 40% (based upon the expected approximately 10% co-investment participation for subsequent funds).



Source: Company information.

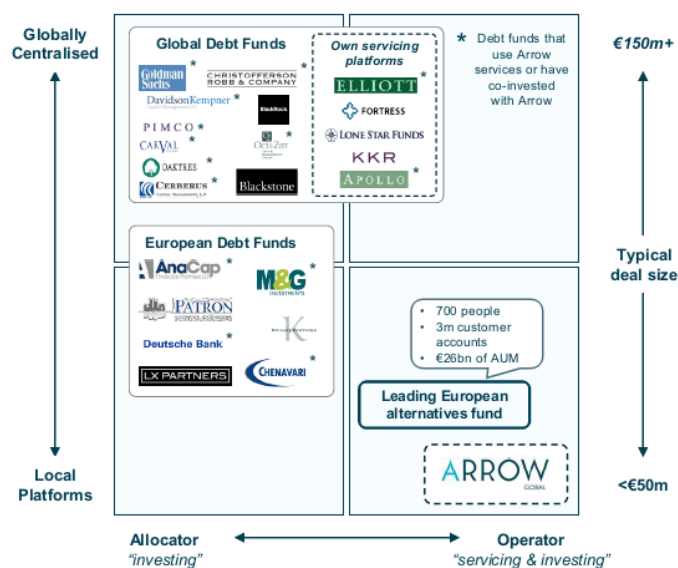
We expect to be able to increase income generated through management and performance fees charged to LP investors while increasing scale benefits to the Asset Management and Servicing business through more increased and stable servicing income. We believe that the gradual build-up of management fees, primarily fees charged on drawn capital, will grow a stable revenue source with future funds.

For the year ended December 31, 2019, our EBITDA from our capital-light businesses was 33% of our total EBITDA. Given the losses sustained during 2020, our capital-light businesses' percentage of Group EBITDA was negative 48.4%, but after adjusting for the non-cash write off of ERC in relation to the COVID-19 pandemic of £133.6 million, our capital-light businesses' percentage of Group EBITDA would have been 19.0%. Our capital-light businesses' percentage of Group EBITDA (pre-Acquisition costs) was 22.5% for the six months period ended June 30, 2021. The decrease since 2019 primarily reflects the investment in the fund management infrastructure, which will, in due course generate higher income as FUM continue to grow.

We expect, but cannot guarantee, that the returns on capital, the build of capital-light revenues and the reduced level of purchases by our Balance Sheet business (we expect to reduce our co-investment participation in future funds, including ACO 2, to approximately 10% from the current 25%) will enable us to de-lever, reduce Net Debt and, in time, materially change our financial risk profile.

Differentiated origination capability supported by local platforms.

Our Fund and Investment Management business has a differentiated approach from other institutional fund managers in the market. Based on our knowledge of the market, the majority of credit funds have a small team based in international capital centers and access the NPL and non-core asset market by mainly targeting large bank asset auctions of greater than €100 million. On the other hand, as highlighted in the chart below, our model is predicated on leveraging our large local presence in each of our markets, with local asset servicing businesses providing deep asset expertise on a granular basis, to form strong relationships with potential asset sellers and develop a detailed knowledge of a wide range of asset classes on a granular level. Our model has enabled us to consistently make more of our investments in non-competitive, off-market bi-lateral trades that are smaller in size and offer higher returns.



Note: Prepared based on Company information and estimates.

Our compelling proposition is highlighted by the Fund's support from a diversified range of sophisticated LP investors, including pension funds, insurance companies, sovereign wealth, university endowments and family offices, with global commitments ranging from the UK, Benelux, Nordics, Germany, Switzerland, the East Coast of the U.S., the West Coast of the U.S., Canada, Australia and Asia. Further, through our fundraising, we have had interactions with over 100 LP investors creating a very strong pipeline of potential investors for future fundraises.

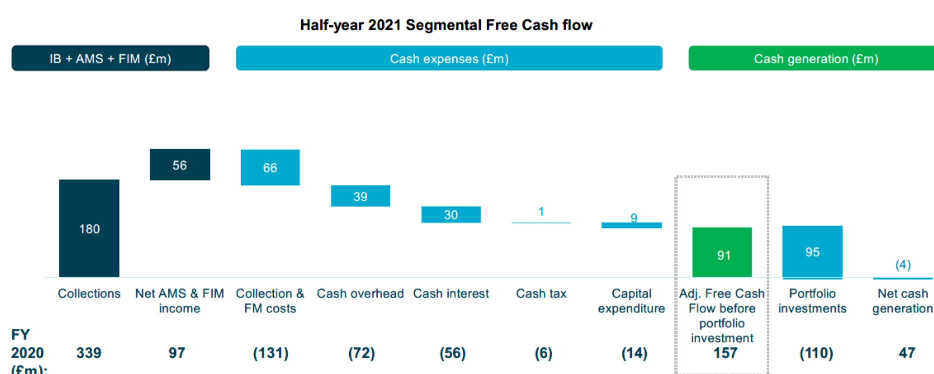
Furthermore, our Asset Management and Servicing business has market-leading platforms and is well placed to capitalize on growth opportunities. Our businesses undertake a broad range of services, including secured and unsecured collection activity, real estate asset realization and litigation and court process management, master servicing activities, such as legal title holding, securitization vehicle management activities and other activities such as due diligence, on-boarding and new origination. We also provide debt collection and servicing to many of the large institutional global and European debt funds. See "*Business—Our businesses—Asset Management and Servicing business*." Our combination of market leading positions, niche dominant platforms

and competitive specialist servicing and investment platforms across five markets position us as a local operator with expertise in real estate, mortgage, SME and consumer NPL servicing. We achieved a record of 26 contract wins in 2020, with a further 11 new contract wins during the first half of 2021, one of which being our acquisition of the collections and recoveries operations within Tesco Bank's Customer Service division. This partnership will allow Tesco Bank to deliver an enhanced service to customers in financial difficulty by providing the necessary support and flexibility they will need in the future. Tesco Bank chose to partner with us because of our focus on customers, proven expertise, technology platform and the cultural alignment between us and Tesco Bank. The partnership is expected to result in over 200 of Tesco Bank's personnel transferring over to us on November 1, 2021. We have observed an increasing need for our services from banks such as Tesco Bank given the pressure on their operations as a result of the effects of the COVID-19 pandemic. See "*Industry—The debt collection and debt servicing market—Specialization and standardization.*" The increasing use of digital mediums, with portals for self-service by customers, increases in our customer satisfaction scores — we have seen an increase by 0.3 in our customer satisfaction scores, averaging 7.7 (out of 9) in 2020 — and embedded forbearance and vulnerable customer policies and processes have facilitated our growth and are a key factor in the industry awards that our platforms received in 2020.

Our market-leading platforms deliver significant levels of third party contract wins which are backed up by the recognition we have received through awards and customer satisfaction. Most notably, in 2020 we were awarded the Credit Strategy 'Best Outsourcing and Partnership' Initiative for Onboarding and Customer Engagement, in recognition of our work with Virgin Money. Additionally, in November 2020 we became four time finalists after being nominated at the Credit Strategy Collections and Customer Service Awards. In Portugal, in 2020, our business was recognized not only as a Top Employer but accredited as the Best Credit Portfolio Management Company (Global Banking and Finance Review), Best Asset Management Servicer (International Investor) and Best Practice Operator of the Year (ACQ5, Country Awards 2020).

Highly cash flow generative with conservative risk management and strong balance sheet.

We are a highly cash generative business, with strong Adjusted Free Cash Flow generation. For the year ended December 31, 2020 and the six-month period ended June 30, 2021, our Adjusted Free Cash Flow generation was £156.6 million and £90.7 million respectively. The build of our Adjusted Free Cash Flow is illustrated in the chart below.

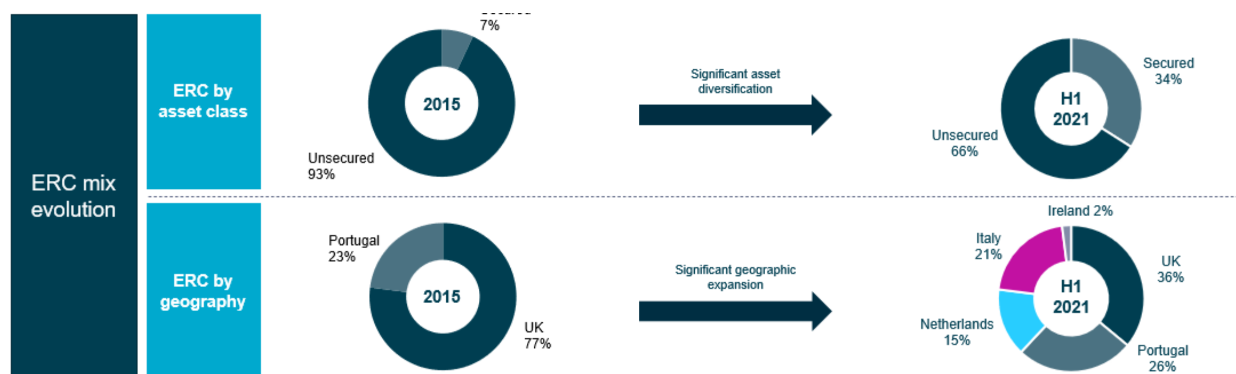


Source: Company information.

Furthermore, we retain flexibility on the level of our Adjusted Free Cash Flow that we re-invest in new portfolio acquisitions and, as such, are able to manage any peaks and troughs in liquidity requirements. This is evidenced by the fact that during 2020 the portfolio investments that we made amounted to £109.9 million, compared with £303.7 million during 2019, as we sought to conserve liquidity, given the impacts of the COVID-19 pandemic.

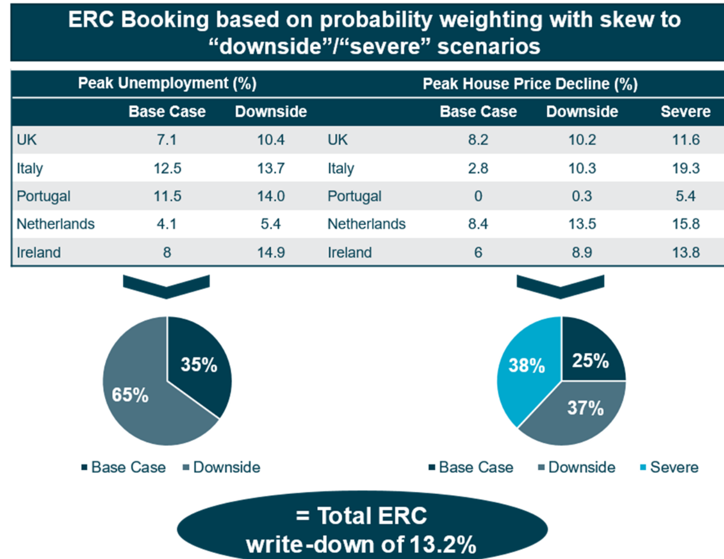
As we develop our capital-light businesses, we expect to reduce the level of re-investment in new portfolio acquisitions and, as such, we expect that a portion of our Adjusted Free Cash Flow generation will support Net Debt reduction and deleveraging. We are targeting £500 million Adjusted Free Cash Flow generation, after investment in new portfolios acquisitions for the period 2021–2025, which target we are not guaranteed to meet within the planned time frame or at all. See "*Forward-Looking Statements*" and "*Risk Factors—Risks Relating to the Transactions—This Offering Memorandum includes forward-looking statements, certain targets and assumptions in forecasts that involve risks and uncertainties.*"

As exhibited in the chart below, our balance sheet has both geographical and asset class diversification. As of June 30, 2021, our 84 month ERC in the jurisdictions in which we operate were as follows: 36% in the UK, 26% in Portugal, 21% in Italy, 15% in the Netherlands and 2% in Ireland and, as of the same date, 66% was unsecured and 34% secured. This diversification, together with the limited deal size of any single portfolio investment, minimizes our risk profile.



Source: Company information.

Furthermore, as a result of the adverse economic effects of the COVID-19 pandemic, our conservative non-cash write down of 13.2% to our ERC as of June 30, 2020, reflected the significant uncertainty at that time arising from the COVID-19 pandemic and is reflective of our cautious approach. Details of the ERC write-down are shown in the graphic below.


ERC Booking based on probability weighting with skew to "downside"/"severe" scenarios

Peak Unemployment (%)			Peak House Price Decline (%)			
	Base Case	Downside		Base Case	Downside	Severe
UK	7.1	10.4	UK	8.2	10.2	11.6
Italy	12.5	13.7	Italy	2.8	10.3	19.3
Portugal	11.5	14.0	Portugal	0	0.3	5.4
Netherlands	4.1	5.4	Netherlands	8.4	13.5	15.8
Ireland	8	14.9	Ireland	6	8.9	13.8

Source: Company information.

However, as illustrated in the charts below, we are performing well against our ERC. This creates a significant value upside - on the basis of an 84-month ERC of £1.6 billion, a 5% over-performance in actual collections equates to an approximate upside of £50 million after discounting. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Results of Operations—Portfolio investments*." During the third quarter of 2020, fourth quarter of 2020, first quarter of 2021 and second quarter of 2021, our Cash Collections compared to our ERC were 141%, 111%, 106% and 131%, respectively.

Source: Company information.

Current strategic plan enhanced by TDR Capital ownership.

Our management team has a deep wealth of experience and talent. Their track-record of proven success places us in a position to expand upon our robust market position. The full support of our incumbent senior management and their strategic targets, increased capital-light earnings and reduced capital intensity, all increase our prospects of growth whilst also reducing leverage under the new ownership of TDR Capital. Our goal of reducing leverage will be bolstered by TDR

Capital's commitment to reduce leverage (with a target of leverage being approximately 3.0 - 3.5 times by 2023) without compromising our existing risk appetite.

TDR Capital is a leading specialist buyout firm with total FUM of approximately €10 billion as of December 31, 2020 and is based in the UK. It was founded in 2002 by Manjit Dale and Stephen Robertson, who were previously partners at DB Capital Partners. For further details, see "*Principal Shareholders*." TDR Capital has an experienced team of investment professionals and operating partners and a longstanding historical focus on financial services and business services, as evidenced by its March 2016 investment in LeasePlan, the world's leading fleet management and driver mobility company. TDR Capital has a low-volume investment strategy (one to two investments per year) based on principles developed by the investment team over the past decade. TDR Capital seeks to spend significant resources on each investment and to focus on operational excellence through a tested and integrated operating partner model.

TDR Capital will provide operational best practices and fund management expertise accrued through almost 20 years of pan-European investing and understand the structures and culture required to enable our integrated asset manager model to thrive. TDR Capital has a strong track record in the financial services industry, including specialty finance, leasing and insurance. For example, TDR Capital helped oversee the growth of Lowell Group, a debt purchaser of unsecured debt, as its owner from 2011 until 2015, and developed an in-depth understanding of the value drivers and regulation relevant to the industry. TDR Capital has continued to actively monitor the credit management industry and has closely followed our journey in public markets to date, and believes that our team has successfully created a high quality, internationally diverse, vertically integrated asset manager and fully supports management's clear ambition to further develop our capital-light based strategy.

We believe that access to their deep and trusted LP relationships and capital under TDR Capital ownership will provide the flexibility required to expedite the development of our Fund and Investment Management business and be instrumental in accelerating our further transition to our capital-light model and deleveraging.

Our Vision and Strategy

Our vision is to be an innovative and valued partner in credit and asset management with the purpose of building better financial futures for our customers. Our people as well as our structure, culture and values are aligned with the delivery of our strategic objectives.

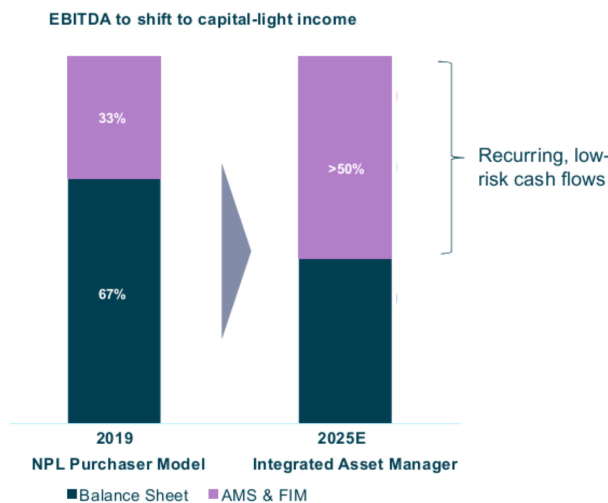
We have six key strategic objectives to support the delivery of our vision and purpose:

Build a scalable and sustainable fund management platform with a diverse spread of global investors.

The development in 2019 and 2020 of our Fund Manager has been central to the success in raising the Fund and critical to our transition to becoming an integrated asset manager with a capital-light business model. We believe our proposition to LP investors is both unique and compelling, given our track record over the last 15 years, our ability to target high-return niches in off-market trades, our use of local knowledge and experience of our local in-country teams to drive performance and the strong underwriting discipline. We intend to further develop our Fund

and Investment Management business, through raising subsequent funds at a larger scale and growing the number and diversity of LP investors, to put us in the best position to achieve our target of growing FUM to approximately €10 billion (over £8.4 billion) by the end of 2025, from our FUM of €4.8 billion (representing approximately £4.1 billion) as at June 30, 2021. We expect to commence the fund raising for our second fund, ACO 2, when the capital deployed, after recycling collections, within the Fund is approximately 70% of the total capital commitments (provided that the deployment rate remains consistent with historical rates of deployment). See "*Forward-Looking Statements*" and "*Risk Factors—Risks Relating to the Transactions—This Offering Memorandum includes forward-looking statements, certain targets and assumptions in forecasts that involve risks and uncertainties.*"

The increase in both our Fund and Investment Management and Asset Management and Servicing businesses are central to our strategy of growing more stable capital-light earnings with a target 50% EBITDA coming from such businesses by the end of 2025. In turn, we believe this transition will be instrumental to achieving our goals of de-leveraging and reducing our Net Debt. The chart below shows the targeted shift in our EBITDA from our move from an NPL purchaser model to our capital-light integrated asset manager model. However, there can be no assurance that we will achieve such target within the targeted time frames or at all. See "*Forward-Looking Statements*" and "*Risk Factors—Risks Relating to the Transactions—This Offering Memorandum includes forward-looking statements, certain targets and assumptions in forecasts that involve risks and uncertainties.*"



Source: Company information.

Prioritize investments in high-value, granular niche products in our core markets whilst creating opportunities for platform servicing revenue.

We intend to continue to deploy capital in a manner similar to the investments that have given rise to our track record. Over the last 15 years, we have developed a leading data analytics capability with over 1,000 deals underwritten, over 10 million customer accounts created over 10,000 of underlying properties across multiple geographies. This has helped us develop an expertise in forecasting cash flows that has consistently driven superior pricing and low volatility

and delivered our strong track record. Our local operating teams have relevant experience and expertise in both the local markets and asset classes in which we operate.

We continue to seek off-market investment opportunities, utilizing our strong origination capabilities, deep relationships and in-depth local knowledge. We believe targeting such opportunities maximizes the risk / reward through smaller transactions in more sophisticated granular asset classes and creates a competitive advantage. The continuation of this investment strategy, we believe, will benefit our Balance Sheet business and will continue to present a compelling investment case for potential LP investors, allowing further fund raising into subsequent funds, as well as creating asset management and servicing opportunities for our platforms.

Industry-leading asset management and servicing expertise which supports our investment ambitions, clients and customers.

We will continue to develop our asset management and servicing platforms, through our technology and our people, to deliver high quality service to our clients, fair outcomes to our customers and strong collections performance.

We undertake a broad range of services, including secured and unsecured collection activity, real estate asset realization and litigation and court process management, master servicing activities, such as legal title holding, securitization vehicle management activities and other activities such as due diligence, on-boarding and new origination. We also provide debt collection and servicing to many of the large institutional global and European debt funds. Our combination of market-leading positions, niche dominant platforms and competitive specialist servicing and investment platforms across five markets position us as a local operator with expertise in real estate, mortgage, SME and consumer NPL servicing.

We continue to invest in our IT infrastructure to ensure that it meets our objectives of flexibility, control, resilience and cost effectiveness. The COVID-19 pandemic presented, in real time and on a scale and timescale that could not have been forecast, the opportunity to test our resilience to maintain service levels for our customers and our clients. Our continued development will support growth in our external and internal asset management and servicing activity and, with increased scale with the opportunities presented by the Fund and Investment Management business, our ability to drive operational leverage.

Create a simple, efficient and flexible organization by deploying agile practices, supported by strong leadership and a commitment to develop our people to reach their full potential.

Through our governance, organizational structure and technology, we seek to create an efficient organization that can adapt to change and remain agile to ensure that we can capitalize on market opportunities. Our leaders and personnel are the core of our organization and with flexible working structures, training and development, we aim to ensure that our people maximize their potential.

The establishment of the Fund Manager and our integrated fund manager model, which we believe is unique in the market, demonstrates the ability of our business to adapt and deliver change. The agility of the organization was fully demonstrated as the transition partly occurred

during the COVID-19 pandemic and the associated challenges that resulted from lockdowns and other restrictions.

Allocate capital dynamically to drive returns while effectively managing risk.

We operate across multi-asset classes and multiple geographies. As such, we seek to allocate capital, through our investments in portfolios, depending on the prevailing market and economic environment, in order to maximize the risk-adjusted returns within overall risk appetite and concentration limits.

Our capital deployment for both our Balance Sheet business and the Fund has been strong through 2021. However, given the uncertainty of the macroeconomic environment, we have remained cautious in our approach to pricing and underwriting investment opportunities. Deployment has focused more on off-market real estate and special situation investments with shorter weighted average life, rather than unsecured investments that tend to have a longer weighted average life. This approach to capital deployment allows us to achieve target returns whilst seeking to minimize the risk profile of our investments.

Environmental, Social and Governance ("ESG") focus driving better operational outcomes.

We remain fully committed to meeting our stakeholders' expectations of being a responsible corporate citizen and addressing key sustainability issues. Our focus on ESG is firmly embedded in our purpose and culture and we believe this focus will drive better operational outcomes. We recognize the importance of ESG for our stakeholders. The holders of the Notes, our shareholders and LP investors recognize the importance and value of investing in responsible businesses delivering sustainable returns. Our regulators require assurance over our policies, processes and practices and will act against firms that are non-compliant. Our customers expect to receive fair outcomes, whilst portfolio sellers and third-party asset management clients often require assurance that their customers will be handled responsibly and therefore, acting responsibly is increasingly becoming a competitive advantage. Also, our people want to work for a good corporate citizen.

The primary focus of the social leg of our ESG strategy is ensuring fair customer treatment, which was particularly relevant throughout the COVID-19 pandemic where forbearance and vulnerable customer policies were critical in our support of our customers. Furthermore, we significantly curtailed litigation during the COVID-19 pandemic, as we believe that acting responsibly delivers better long term returns for all our stakeholders. In particular, our customer satisfaction levels rose during 2020, throughout such a difficult period for many of our customers.

We expect to vertically re-align our governance by empowering our local champion platforms with local accountability under a fund manager framework. This framework will, we believe, deliver greater accountability and improve performance. Furthermore, we aim to maintain our commitment to diversity and inclusion among our people, in order to build a human-centric workplace and provide a positive work environment, supporting a diversity of working styles and appealing to a wider talent pool whilst retaining talented people who want autonomy and choice. In response to the COVID-19 pandemic, we demonstrated our support for our people to help keep them safe with 100% of our staff fully operational and working from home by the end of March

2020. Lastly, the environmental leg of our ESG strategy involves our focus on the evolution and development of our internal policies and due diligence standards, coupled with our ambition of net-zero carbon dioxide emissions. See "*Business—ESG*."

Recent Developments

We caution that the below information should not be regarded as an indication, forecast or representation by us or any other person regarding our expected financial performance and results of operations. See "*Forward-Looking Statements*" and "*Risk Factors*" for a more complete discussion of certain of the factors that could affect our future performance and results of operations.

The discussion below incorporates data for the nine month period ended September 30, 2021 that are derived from preliminary results and estimates contained in our management accounts, which have not been and will not be audited or reviewed in accordance with generally accepted auditing standards and are subject to change. The data for the nine month period ended September 30, 2021 presented below is not intended to be a comprehensive statement of our financial or operational results for such period or as of such date, nor is it intended to give an indication regarding the expected results for the year ending December 31, 2021 and it is based on a number of assumptions that are subject to inherent uncertainties and risks. The discussion below also incorporates data that is derived from management's projections. By their nature, projections are forward-looking statements that involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future, and are based on a number of assumptions that are themselves subject to inherent uncertainties and risks. As such, you should not place reliance on this data when making an investment decision. In addition to the inherent risks and uncertainties associated with using data derived from management accounts and projections, the impact of the COVID-19 pandemic has created heightened and unprecedented risks and uncertainties and has resulted in atypical, non-routine transactions and activities which increase the likelihood that the data presented in this Offering Memorandum may not be in line with the financial data we report in our year-end financial information. The unaudited financial data and projections included herein need to be carefully considered and incorporate forward-looking estimates that may differ from actual results. For more information about the risks associated with the use of data derived from management accounts and projections and the heightened risks in the context of the COVID-19 pandemic, see "*Risk Factors—Other Risks Relating to our Operations—Our business, financial condition, cash flows and results of operations have been and may continue to be adversely affected by the COVID-19 pandemic,*" "*Risk Factors—Risks Relating to the Transactions—This Offering Memorandum includes forward-looking statements, certain targets and assumptions in forecasts that involve risks and uncertainties" and "Risk Factors—Risks Relating to the Transactions—We have included in this Offering Memorandum certain unaudited adjusted data, and other financial information not prepared in accordance with IFRS."* for further information.

Impact of the COVID-19 pandemic

In December 2019, a novel strain of coronavirus (COVID-19) was identified in Wuhan, China, rapidly spreading to nearly all regions around the world, including the UK and Ireland, the Netherlands, Portugal and Italy, which caused the World Health Organization to declare COVID-

19 a pandemic on March 11, 2020. In order to prevent the spread of the virus, governments around the world implemented several measures, including lockdowns, travel restrictions, mandatory quarantines and self-isolations for infected people, business slowdowns or shutdowns, and encouraging or requiring people to avoid large gatherings. For example, in response to the COVID-19 pandemic, on March 23, 2020, the UK government imposed a nationwide quarantine together with several other measures. As a result of these restrictive measures across all the countries in which we operate, we closed substantially all of our offices and transitioned all of our employees to remote working. Whilst restrictions have eased at times – for example the nationwide quarantine in the UK was lifted on May 10, 2020 – significant restrictions and social distancing measures have remained in place, which continue to adversely affect the overall economies of the countries in which we operate and, in turn, our operations and our customers' operations. For instance, court closures and various legal and regulatory measures intended to help debtors, such as moratoria on certain collection or enforcement activities, along with a slowdown in the real estate market, heavily impacted our ability to make collections during this period. As a result of the COVID-19 pandemic and the measures taken to prevent a further spread, our business was impacted globally in 2020 by the temporary closure and restrictions as a consequence of the guidelines given by the respective governments of the countries where we operate.

Collections performance is a critical factor for our business and the COVID-19 pandemic led to disruptions in our cash collection performance, as a result of a deterioration in the macroeconomic environment, changes to our customers' financial circumstances and lockdown measures implemented in the countries in which we operate, resulting in court closures and impacting the business's ability to litigate and operate as normal. Our cash collections during the three months ended March 31, 2020 were £85.0 million, representing 92% of ERC with the only material shortfall relating to £10 million of delayed collections from two large secured assets in Italy and Ireland. However, we started to see the early signs of the impact of the COVID-19 pandemic during March 2020 and our collections performance weakened in April 2020 with secured collections, impacted by lockdown and court closures to 78% of ERC, enhanced by the acceleration of cash flows from the restructuring of one of the Group's co-investment portfolios. During this period, unsecured collections stabilized at 74% of ERC. Excluding the collection acceleration, cash collections for April 2020 settled at 75% of ERC.

Approximately 34% of the Group's ERC is derived from secured portfolios – primarily in Portugal and Italy – where cash collections are often driven either by the local court system or result from the completion of real estate sales. Whilst both of these collection strategies were directly impacted by the COVID-19 restrictions imposed by European governments, secured portfolios are backed by underlying assets and therefore, the timing of cash collections can be impacted, together with the quantum in the event of real estate price decreases. The majority of the remaining 66% of the Group's ERC consists of unsecured assets – primarily in the UK, followed by Portugal and the Netherlands – where collections are driven by smaller, more frequent monthly cash collections. Automated collections form approximately 46% of total Group collections and approximately 87% of Northern European (the UK, Ireland, the Netherlands) unsecured collections. Where unsecured collections are not automated, they are substantially all paid by remote electronic means.

Collections started to recover in May 2020 from the low in April, with secured collections at 62% of ERC and unsecured at 85% of ERC. Collections during the three months ended March

31, 2020 were £85.0 million, representing 92% of ERC, and during the six months ended June 30, 2020 were £175.7 million, representing 91% of ERC. Our financial response to the collections weakness was proactive and we strengthened our liquidity position in the first half of 2020 demonstrating our ability to manage liquidity, in particular through the curtailment of investments in new portfolio acquisitions and the suspension of shareholder dividends. Cash and cash equivalents improved by £77.0 million to £165.8 million from December 31, 2019 to June 30, 2020 with decisive action on cost and working capital as well as acceleration of collections to make up for COVID-19 induced collection weakness and reduced portfolio purchases of £42.9 million (six months ended June 30, 2019: £165.6 million). Furthermore, we raised additional funds in July 2020 through the execution of a €104.7 million asset backed amortizing loan and completed a long-term support agreement with our bank lenders at that time, recognizing that short term leverage would increase above previous covenant levels as the impact of lower collections built over the following twelve months. As a result of our cautious view on the macroeconomic environment at that time, we reforecast our ERC at June 30, 2020, resulting in a non-cash write down to portfolio investments on the balance sheet of £133.6 million and an operating loss of £108.9 million for the six months ended June 30, 2020 (six months ended June 30, 2019: £59.0 million of operating profit).

During the third quarter of 2020, we saw an improving cash collections trend. Whilst the easing of lockdown measures and the development of a vaccine have potentially lessened the impact of the COVID-19 pandemic on the macroeconomic environment, we remained cautious. Collections in the third quarter 2020 were £85.1 million representing 141% of the revised ERC, and were partially driven by a catch-up in secured collections from earlier in the year. The collections performance continued to be better than we predicted, with £78.1 million of collections in the fourth quarter of 2020. Collections for the full year ended December 31, 2020 amounted to £338.9 million (2019: £442.3 million), with collections during the six months ended December 31, 2020 representing 125% of revised ERC. Collections performance has continued to remain robust in 2021, with collections in the first quarter of 2021 of £76.9 million (first quarter of 2020: £85.0 million) representing 106% of ERC and in the second quarter of 2021 of £102.7 million (second quarter of 2020: £90.7 million) representing 131% of ERC. Collections during the six months ended June 30, 2021 were £179.6 million, representing 119% of December 2020 ERC. Overall, we have had a strong second quarter with our 2021 second quarter stand-alone results, with our profit before tax being 1.9 times greater than our first quarter in 2021. For the six months ended June 30, 2021, we had a profit before tax and takeover costs of £22.9 million (loss of £135.9 million during the six months ended June 30, 2020), with £22.4 million of Acquisition costs recognized and, together with the strong collections performance, this had a beneficial impact on our leverage levels with our leverage for the twelve months ended June 30, 2021 decreasing by 0.4 times from 5.1 times.

While the impact to our business has been significant, the wider dislocation caused by the COVID-19 pandemic and the impact on borrowers has also been significant. Following the global financial crisis in 2008, NPLs in the European financial systems peaked at approximately €1.2 trillion. While NPLs had decreased to roughly half of that figure by the end of 2019, stress tests on banks by the ECB suggest that NPLs could reach a new peak at roughly €1.4 trillion as a result of the COVID-19 pandemic and its unprecedented economic and social challenges. Whilst we have not yet experienced an increase in the willingness of Investment Portfolio Sellers to sell

defaulted debt, we expect that during late 2021 and into 2022, market activity will increase, potentially leading to an increase in the volume of portfolios that we are able to acquire.

Current Trading

Our performance continued to remain stable during the three months ended September 30, 2021 with continued momentum around collections, deployment and contract wins within our Asset Management and Servicing business. Balance Sheet Cash Collections outperformed ERC, with Balance Sheet Cash Collections of £77.4 million representing 115% and 111% of ERC during the three months and nine months ended September 30, 2021, respectively.

Furthermore, we continued to acquire investment portfolios, with €148.5 million deployed by the Fund during the three months ended September 30, 2021. The Fund was 64% deployed or committed (gross before capital recycling and including both third-party and balance sheet co-investment) and up-front 54% as at June 30, 2021. We expect to start fundraising for ACO 2 in early 2022 when the capital deployed, after recycling collections, within ACO 1 is approximately 70% of the total capital commitments (provided that the deployment rate remains consistent with historical rates of deployment). See "*Risk Factors—Relating to the Transactions—This Offering Memorandum includes forward-looking statements, certain targets and assumptions in forecasts that involve risks and uncertainties.*"

Our Balance Sheet business invested £22.2 million during the three months ended September 30, 2021 and our Asset Management and Servicing business continued to see strong appetite for its services and won a further ten contracts during the three months ended September 30, 2021.

Leverage as at September 30, 2021 was 4.8 times, consistent with our leverage of 4.7 times as of June 30, 2021 due primarily to the improvement in collections performance following the easing of lock-down restrictions and court closures during the third quarter of 2020, which is not included in the Adjusted EBITDA for the twelve months ended September 30, 2021. We are committed to reducing leverage to 4.0 times by the end of 2021 (before incurring the Acquisition costs). See "*Risk Factors—Risk Factors relating to the Transactions—This Offering Memorandum includes forward-looking statements, certain targets and assumptions in forecasts that involve risks and uncertainties*."

The Transactions

The Transactions consist of the following (collectively, the "**Transactions**"):

(1) the Equity Contribution;

(2) the Acquisition;

(3) the entering into the Bridge Facilities Agreement;

(4) the entering into and drawing under the Revolving Facility Agreement to finance a portion of the costs in connection with the Transactions;

(5) the on-lending of the proceeds of the Revolving Facility to the Target Group to repay and cancel the Arrow Global Revolving Credit Facility;

(6) the issuance by the Issuer of the Notes offered hereby and the use of proceeds therefrom as set out under the "*Use of Proceeds*;"

(7) the entering into the Proceeds Loan Agreement and the granting of the Proceeds Loan thereunder;

(8) the granting of the Target Loans and the redemption of the Existing Notes;

(9) the payment of costs, fees and expenses in connection with the Transactions, including the costs, fees and expenses to be incurred in connection with the Offering; and

(10) any other transactions in connection with any of the above or incidental thereto.

For a description of the anticipated indebtedness of the Group following the Transactions, see "*Capitalization*" and "*Description of Other Indebtedness*."

The Acquisition

On October 11, 2021, Bidco completed the Acquisition of 100% of the shares of the Target by way of a court-sanctioned scheme of arrangement under Part 26 of UK Companies Act 2006. Bidco and Finco funded the Acquisition and related costs, fees and expenses with the proceeds from the following sources on or about October 15, 2021:

- the Equity Contribution to purchase the equity of the Target; and
- drawings under the Revolving Facility Agreement to finance a portion of the costs in connection with the Transactions (other than the Offering) and to refinance the Arrow Global Revolving Credit Facility.

In connection with the Acquisition, Finco entered into the Revolving Facility Agreement, which provides for a Revolving Facility with an aggregate commitment of £285 million (equivalent). On or about October 19, 2021, Finco drew a total of £263.6 million (equivalent) under the Revolving Facility consisting of drawings of £189.7 million and €87.1 million (£73.9 million equivalent) and the proceeds therefrom were (i) on-lent to Bidco in order for Bidco to finance a portion of the costs in connection with the Transactions and (ii) a total of £235.7 million (equivalent) consisting of £161.8 million ((£157.5 million repayment of the Arrow Global Revolving Credit Facility plus £4.3 million in fees relating to the Revolving Facility) and €87.1 million (£73.9 million equivalent) were on-lent to the Target Group to repay and cancel the Arrow Global Revolving Credit Facility and for fees on the Revolving Facility.

Following the completion of the Acquisition, AGG's shares were delisted from the London Stock Exchange, and AGG was re-registered as a private limited company, named Arrow Global Group Limited, on the Re-Registration Date.

On October 11, 2021, certain eligible existing shareholders of the Target elected as an alternative to the cash offer for their shares to receive rollover securities issued by Topco in exchange for their holding of shares in the Target pursuant to the Alternative Offer. Such Stub Equity Shareholders hold 9.28% of the shareholding in Topco, and the remaining 90.72% is held by TDR Capital.

The Offering of the Notes

The gross proceeds of the Offering will be used by the Issuer (i) to provide the Proceeds Loan to Finco on or about the Issue Date and (ii) to pay certain fees and expenses associated with the Offering. Finco will use the proceeds from the Proceeds Loan (i) to repay a portion of the amounts outstanding under the Revolving Facility, (a) certain of which was on-lent to Bidco and was used by Bidco to finance a portion of the costs in connection with the Transactions (other than the Offering) and (b) certain of which was on-lent to the Target Group to repay and cancel the Arrow Global Revolving Credit Facility and (ii) to provide the Target Loans to the Target Group to redeem and cancel the Existing Notes.

Sources and Uses

The following table illustrates the sources and uses related to the Transactions. Actual amounts may vary from estimated amounts depending on several factors, including the actual amount of expenses related to the Transactions and rounding effects. This table should be read in conjunction with "*Use of Proceeds*" and "*Capitalization*."

Sources of funds	Amount[1]	Uses of funds	Amount[1]
	(£m)		(£m)
Euro Floating Rate Notes offered hereby[2]	543	Redemption of Existing Notes[7]	971
Euro Fixed Rate Notes offered hereby[3]	339	Repayment of Arrow Global Revolving Credit Facility[8]	231
Sterling Notes offered hereby[4]	350	Acquisition Consideration[9]	565
Revolving Facility[5]	55	Estimated fees and expenses[10]	85
Equity Contribution[6]	565		
Total sources	**1,852**	**Total uses**	**1,852**

(1) Euro amounts have been converted to sterling amounts at a rate of €1.1785 to £1.00 (based on the Bloomberg Composite Rate (New York) as of October 12, 2021). You should not view such translations as a representation that such sterling amounts actually represent such converted euro amounts, or could be or could have been converted into sterling at the rate indicated or at any other rate.

(2) Represents the equivalent aggregate principal amount of the Euro Floating Rate Notes, assuming an issuance at par.

(3) Represents the equivalent aggregate principal amount of the Euro Fixed Rate Notes, assuming an issuance at par.

(4) Represents the aggregate principal amount of the Sterling Notes, assuming an issuance at par.

(5) On October 6, 2021, Finco entered into the Revolving Facility Agreement which provides for a £285 million (equivalent) Revolving Facility. On or about October 19, 2021, Finco drew a total of £263.6 million (equivalent) under the Revolving Facility consisting of drawings of £189.7 million and €87.1 million (£73.9 million equivalent) in order to bridge certain amounts prior to the Offering of the Notes; the proceeds of the drawings were (i) on-lent to Bidco in order for Bidco to finance a portion of the costs in connection with the Transactions and (ii) a total of £231.4 million (equivalent) consisting of £157.5 million and €87.1 million (£73.9 million equivalent) of the drawings under the Revolving Facility were on-lent to the Target Group to repay and cancel the Arrow Global Revolving Credit Facility. On the Issue Date, the proceeds of the Offering will be used to repay a portion of the Revolving Facility. See note (8) below. Upon repayment of the Revolving Facility from the proceeds of the Offering, £55 million will remain outstanding under the Revolving Facility as of the Issue Date.

(6) The Equity Contribution consisted of £565 million in funds contributed in Bidco in the form of (i) £513 million of equity invested indirectly through Midco by investment funds managed or advised by TDR Capital on or about October 15, 2021, for purposes of financing the Acquisition consideration and (ii) £52 million equity contributed in Topco by the Stub Equity Shareholders pursuant to the Alternative Offer.

(7) Represents the repayment in full of outstanding amounts of (i) £322.5 million under the 2024 Notes, and comprises a principal amount of £320.0 million, and accrued interest of £2.5 million, (ii) €401.2 million under the 2025 Notes, and comprises a principal amount of €400.0 million, and accrued interest of €1.2 million and (iii) €362.6 million under the 2026 Notes, and comprises a principal amount of €360.0 million, and accrued interest of €2.6 million (in each case, to, but excluding, the redemption date of November 8, 2021).

(8) Represents the repayment in full of the outstanding amount of £231 million (equivalent) under the £285.0 million Arrow Global Revolving Credit Facility, and comprises a principal amount of £231.0 million, and accrued interest of £0.4 million (to, but excluding, the repayment

date of October 19, 2021). On or about October 19, 2021, the Arrow Global Revolving Credit Facility was repaid and cancelled in full with certain of the proceeds of the Revolving Facility.

(9) Represents the aggregate purchase price for the 183,877,339 shares of the Target, equal to 100% of the total shares of the Target, at a purchase price per share equal to 307.5p.

(10) Represents fees and expenses incurred in connection with the Acquisition, which were payable immediately on completion of the Acquisition, as well as estimated fees and expenses in relation to the Offering, including fees and commissions payable to the Initial Purchasers, advisory fees and other transaction costs and professional fees. £75 million of the estimated fees and expenses comprise uncapitalized debt issuance costs and will be capitalized over the life of the Notes. The actual amount of transaction fees and expenses may differ from the estimated amount depending on several factors, including differences from our estimates of fees and expenses and the actual fees and expenses as at the completion of the various transactions referred to in the table above.

Redemption of the Existing Notes

A portion of the proceeds of the Offering will be used for redemption of the Existing Notes. A conditional notice of redemption for the entire aggregate principal amount of the Existing Notes will be delivered to holders of the Existing Notes on or about October 28, 2021. As of the date of this Offering Memorandum, £965.0 million (equivalent) in aggregate principal amount of the Existing Notes remains outstanding. The redemption of the Existing Notes is conditional upon the receipt of the gross proceeds from the consummation of the Offering in an amount sufficient to pay (i) the redemption price, including accrued and unpaid interest to, but excluding the redemption date, on the Existing Notes to be redeemed and (ii) transaction fees and expenses associated with the Offering.

The Issuer

The Issuer is a public limited company, incorporated under the laws of England and Wales on July 6, 2021, and established by the Parent for the purpose of facilitating the Transactions. The Issuer's company number is 13497082, and its registered office is 20 Bentinck Street, London, United Kingdom, W1U 2EU. The Issuer has no material assets or liabilities, other than those incurred in connection with its incorporation and the Transactions, and has not engaged in any activities other than those related to its formation and the Transactions.

The Parent

The Parent is a private limited company, incorporated under the laws of England and Wales on March 29, 2021, and established for the purposes of carrying out the activities of a holding company. The Parent's company number is 13299333, and its registered office is 20 Bentinck Street, London, United Kingdom, W1U 2EU. The Parent has no material assets or liabilities, other than those incurred in connection with its incorporation and the Transactions, and has not engaged in any activities other than those related to its formation and the Transactions.

Principal Shareholder

The Issuer is a wholly owned direct subsidiary of the Parent, which is indirectly controlled by funds managed or advised by TDR Capital.

TDR Capital is a leading private equity firm with over €10 billion of assets under management as of August 31, 2021 and is based in the UK. TDR Capital has an experienced team of investment professionals and operating partners and has a low-volume investment strategy based on principles developed by the investment team over the past decade. TDR Capital seeks to

spend significant resources on each investment and to focus on operational excellence through a tested and integrated operating partner model.

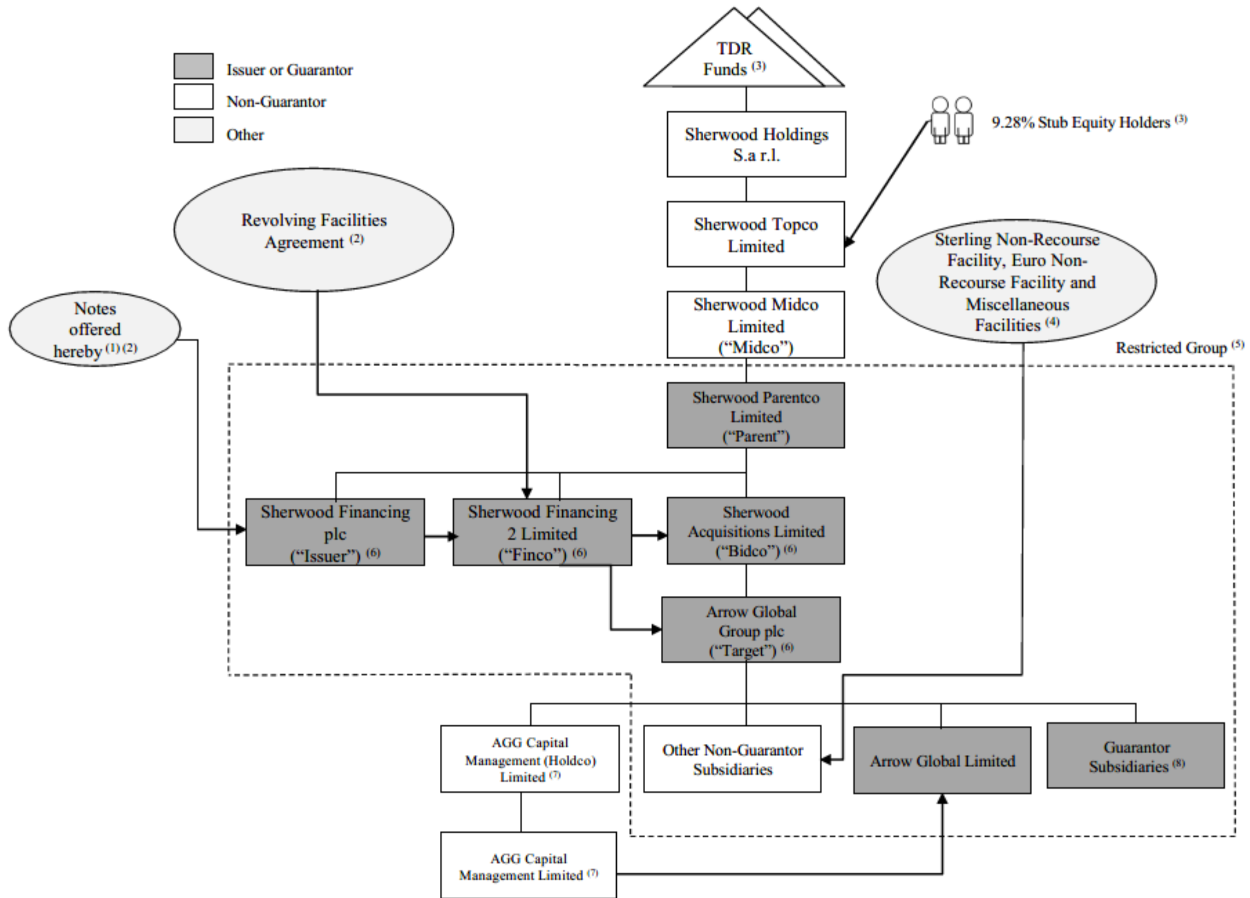
Intense pre-investment analysis and post-investment involvement mean that TDR Capital is selective, typically making only one to three investments a year. TDR Capital takes an active role in overseeing the operations of its investments, working in partnership with management through board representation and professional support.

To date, TDR Capital has completed multiple investments across the funds, business and financial services sectors. Some examples of current and prior TDR Capital investments include TDR's successful investments in Lowell Group, LeasePlan and Phoenix Group. TDR Capital helped oversee the growth of Lowell Group, a debt purchaser of unsecured debt, as its owner from 2011 until 2015, and developed an in-depth understanding of the value drivers and regulation relevant to the industry. TDR Capital's experienced team of investment professionals and operating partners has had a longstanding historical focus on financial services and business services, as evidenced by its March 2016 investment in LeasePlan, the world's leading fleet management and driver mobility company.

In connection with the Transactions, TDR Capital has injected £513 million indirectly in the form of equity into the Parent as part of the Equity Contribution.

Corporate and Financing Structure

The following chart depicts the corporate and financing structure of the Group in summary form after giving effect to the Offering and the use of net proceeds thereof. For a summary of debt obligations identified in this diagram, see "*Description of Other Indebtedness*" and "*Description of the Notes*."



(1) The Notes will be issued under the Indenture. See "*Description of the Notes*." On or about the Issue Date, the Notes will be guaranteed jointly and severally on a senior basis by the Parent, Finco and Bidco. As soon as reasonably practicable after the Re-Registration Date, and in any case no later than 120 days after the Re-Registration Date, subject to the Agreed Security Principles, the Notes will be guaranteed, jointly and severally, by the Target and certain material wholly owned subsidiaries of the Target. The Guarantors will also guarantee on a senior basis the Revolving Facility and certain hedging obligations and certain operating facilities, if any.

(2) From the Issue Date, subject to the operation of the Agreed Security Principles, certain perfection requirements and certain other conditions, the Notes and the Guarantees will be secured by certain security granted in favor of the Security Agent, including (i) a limited recourse English law share charge over all shares held by Midco in the Parent and security assignment of intercompany loans owed by the Parent to Midco and (ii) an English law debenture granted by each of the Parent, Finco, Bidco and the Issuer granting fixed and floating security over substantially all of the assets of the Parent, Finco, Bidco and the Issuer, as further described in "*Description of the Notes—Security*." As soon as reasonably practicable after the Re-Registration Date, and in any case no later than 120 days after the Re-Registration Date, subject to the Agreed Security Principles, the Notes and the Guarantees will also be secured by certain security granted by the Issuer and the Guarantors in favor of the Security Agent, including (1) an English law debenture over certain material assets of the Additional Guarantors that are incorporated in England and Wales, (2) comparable security for Additional Guarantors incorporated in Guernsey and Jersey, and (3) with respect to the Additional Guarantors incorporated in the Netherlands, security over (i) the material bank accounts of such Additional Guarantors, (ii) intra-Restricted Group receivables, and (iii) shares owned by such Additional Guarantors in the Issuer or the other Guarantors. Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the Revolving Facility Agreement and certain hedging obligations and certain operating facilities that are secured by the Collateral will receive priority with respect to any proceeds received upon any enforcement action over the Collateral. 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 Revolving Facility Agreement and counterparties to certain hedging obligations and certain operating facilities have been repaid in full. See "*Description of the Notes—Security*." The Collateral may also secure additional debt in the future. As of the Issue Date, upon repayment of certain borrowings under the Revolving Facility, £55 million is expected to remain outstanding under the Revolving Facility.

(3) The Group, comprising of the Parent and its subsidiaries, including the Issuer and the Target Group, are controlled by TDR Capital. TDR Capital indirectly holds 90.72% beneficial ownership and voting rights in the Parent and the Stub Equity Holders own 9.28% of the beneficial ownership and voting rights in the Parent. On October 11, 2021, Bidco, a direct wholly owned subsidiary of the Parent, completed the Acquisition by way of a court-sanctioned scheme of arrangement under Part 26 of the UK Companies Act 2006. On or about October 15, 2021, investment funds managed or advised by TDR Capital, indirectly through Midco, by way of the Equity Contribution, provided an aggregate amount of £513 million to the Parent. Further, pursuant to the Alternative Offer, the 9.28% Stub Equity Holders of the Target also indirectly contributed £52 million of the equity of Bidco through their investment in Topco.

(4) The Target Group has two non-recourse committed asset-backed securitization term loans, being the Sterling Non-Recourse Facility and the Euro Non-Recourse Facility. As of June 30, 2021, the outstanding amount under the Sterling Non-Recourse Facility was £54.7 million and the outstanding amount under the Euro Non-Recourse Facility was €48.0 million. Further, certain entities in the Target Group are borrowers under the Miscellaneous Facilities. As of June 30, 2021, the outstanding amounts under the Miscellaneous Facilities were £3.1 million. The indebtedness incurred under the Non-Recourse Facilities and the Miscellaneous Facilities will remain outstanding on the Issue Date.

(5) Not all of the subsidiaries of the Parent will guarantee the Notes and the Revolving Facility. As of June 30, 2021, as adjusted to give effect to the Transactions, the subsidiaries of the Parent that are not expected to guarantee the Notes would have had £101.5 million (equivalent) of third party debt outstanding consisting of amounts drawn under the Non-Recourse Sterling Facility, the Non-Recourse Euro Facility, the Miscellaneous Facilities and other borrowings. See "*Risk Factors—Risks Relating to the Notes, the Guarantees and the Collateral—The Notes will be structurally subordinated to the liabilities of the Unrestricted Subsidiaries and Permitted Purchase Obligations SPVs*."

(6) Pursuant to the Proceeds Loan Agreement, the Issuer will provide the Proceeds Loan to Finco on or about the Issue Date and Finco will use the proceeds from the Proceeds Loan to repay a portion of the amounts outstanding under the Revolving Facility, (a) certain of which was on-lent to Bidco and was used by Bidco to finance the transaction costs in connection with the Transactions (other than the Offering of the Notes) and (b) certain of which was on-lent to the Target Group to repay and cancel the Arrow Global Revolving Credit Facility.

(7) On the Issue Date, AGG Capital Management (Holdco) Limited ("**ACMH**"), AGG Capital Management Limited ("**ACML**" or the "**Fund Manager**"), which is ACMH's direct Subsidiary and our main fund management entity, and ACML's Subsidiaries that are general partners of the various funds managed by ACML will be Unrestricted Subsidiaries and therefore will not be subject to any restrictions under the Indenture. ACML is a direct wholly owned subsidiary of ACMH and an indirect wholly owned subsidiary of the Target. ACML has issued preferred ordinary shares to Arrow Global Limited, an indirect subsidiary of the Target and an Additional Guarantor. Pursuant to its holding of the preferred ordinary shares, Arrow Global Limited, an entity within the Restricted Group, receives 100% of the dividends declared by ACML and is entitled to full voting control in respect of the preferred ordinary shares held by it. For further details, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Our Business Model: Our Structure*." Also see "*Risk Factors—Risks Relating to the Notes, the Guarantees and the Collateral—The Notes will be structurally subordinated to the liabilities of the Unrestricted Subsidiaries and Permitted Purchase Obligations SPVs.*"

(8) The Notes will be guaranteed on a senior basis (i) on the Issue Date, by the Parent, Midco and Bidco (together, the "**Initial Guarantors**"), and (ii) as soon as reasonably practicable, and in any case no later than 120 days after the Re-Registration Date, by the Target, Arrow Global One Limited, Arrow Global Guernsey Holdings Limited, Arrow Global Investments Holdings Limited, Arrow Global (Holdings) Limited, Arrow Global Limited, Quest Topco Limited, Quest Bidco Limited, Quest Newco Limited, CapQuest Group Limited, Capquest Investments Limited, Arrow Global Investments Holdings Benelux B.V., Fiditon Holding B.V., Incassobureau Fiditon B.V., Arrow SMA LP Limited, Arrow SMA GP Limited, Arrow Global SMA I LP, AGHL Portugal Investment Holdings, S.A. and Whitestar Asset Solutions, S.A.; (together, the "**Additional Guarantors**"). See "*Description of the Notes—Guarantees*." The Guarantors are also guarantors under the Revolving Facility. As of and for the twelve months ended June 30, 2021, the Issuer and the Guarantors contributed 95% of the Target Group's Adjusted EBITDA and accounted for 86% of the Target Group's investment portfolio assets.

THE OFFERING

The summary below describes the principal terms of the Notes, the Guarantees and the Collateral. It is not intended to be complete and certain of the terms and conditions described below are subject to important exceptions. You should carefully review the "Description of the Notes" section of this Offering Memorandum for more detailed descriptions of the terms and conditions of the Notes.

Issuer	Sherwood Financing plc.
Euro Floating Rate Notes Offered	€640,000,000 aggregate principal amount of senior secured floating rate notes due 2027.
Euro Fixed Rate Notes Offered	€400,000,000 aggregate principal amount of 4.500% senior secured notes due 2026.
Sterling Notes Offered	£350,000,000 aggregate principal amount of 6.000% senior secured notes due 2026.
Issue Date	November 8, 2021.
Euro Floating Rate Notes Issue Price	100.000% (plus accrued interest, if any, from the Issue Date).
Euro Fixed Rate Notes Issue Price	100.000% (plus accrued interest, if any, from the Issue Date).
Sterling Notes Issue Price	100.000% (plus accrued interest, if any, from the Issue Date).
Euro Floating Rate Notes Maturity Date	November 15, 2027.
Euro Fixed Rate Notes Maturity Date	November 15, 2026.
Sterling Notes Maturity Date	November 15, 2026.
Euro Floating Rate Notes Interest Rate	Three-month EURIBOR (subject to 0.0% floor) plus 4.625% per year, reset quarterly.
Euro Fixed Rate Notes Interest Rate	4.500%.
Sterling Notes Interest Rate	6.000%.

Interest Payment Dates	Interest on the Euro Floating Rate Notes will accrue from the Issue Date and will be payable in cash quarterly in arrear on each February 15, May 15, August 15 and November 15 of each year, commencing on February 15, 2022. Interest on the Euro Fixed Rate Notes will accrue from the Issue Date and will be payable in cash semi-annually in arrear on each May 15 and November 15 of each year, commencing on May 15, 2022. Interest on the Sterling Notes will accrue from the Issue Date and will be payable in cash semi-annually in arrear on each May 15 and November 15 of each year, commencing on May 15, 2022.
Denomination	The Euro Floating Rate Notes and the Euro Fixed Rate Notes will have a minimum denomination of €100,000 and any integral multiples of €1,000 in excess thereof. The Euro Floating Rate Notes and the Euro Fixed Rate Notes in denominations of less than €100,000 will not be available. The Sterling Notes will have a minimum denomination of £100,000 and any integral multiples of £1,000 in excess thereof. The Sterling Notes in denominations of less than £100,000 will not be available.
Notes	The Notes will be: • senior secured obligations of the Issuer and will rank equal in right of payment with all of the Issuer's existing or future obligations that are not subordinated in right of payment to the Notes, including the Issuer's obligations under the Revolving Facility; • secured by the Collateral as set forth below under "—*Collateral*," along with borrowings under the Revolving Facility, certain hedging obligations, if any, and certain operating facilities, if any; • senior in right of payment to any existing or future obligations of the Issuer that are subordinated in right of payment to the Notes; • effectively senior in right of payment to any existing or future unsecured obligations of the Issuer to the extent of the assets securing the Notes;

- effectively subordinated in right of payment to any existing or future obligations of the Issuer that are 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; and
- unconditionally guaranteed on a senior secured basis by the Guarantors as set forth below under "—*Guarantees*."

Guarantees

Each series of the Notes will be guaranteed on a senior secured basis (i) on the Issue Date, by the Initial Guarantors, and (ii) as soon as reasonably practicable, and in any case no later than 120 days after the Re-Registration Date, by the Additional Guarantors. See "*Description of the Notes—Note Guarantees*." The Guarantees will be:

- senior secured obligations of each Guarantor and will rank equal in right of payment with such Guarantor's existing or future obligations that are not subordinated in right of payment to its Guarantee;
- secured by the Collateral as set forth below under "—*Collateral*," along with borrowings under the Revolving Facility, certain hedging obligations, if any, and certain operating facilities, if any;
- senior in right of payment to any of such Guarantor's existing and future indebtedness that is subordinated in right of payment to its Guarantee;
- effectively senior in right of payment to any existing or future unsecured obligations of such Guarantor to the extent of the value of the Collateral that is available to satisfy the obligations under its Guarantee; and
- effectively subordinated in right of payment to any existing or future indebtedness of such Guarantor that is secured by property or assets that do not secure its Guarantee, to the extent of the value of the property or assets securing such indebtedness.

The Guarantees will be subject to contractual and legal limitations, including the Agreed Security Principles, and may be released under certain circumstances. See "*Risk Factors—Risks relating to our structure*."

As of and for the twelve months ended June 30, 2021, the Issuer and the Guarantors contributed 95% of the Target Group's Adjusted EBITDA and accounted for 86% of the Target Group's investment portfolio assets.

Senior Secured Notes Collateral

On the Issue Date, the Notes and the Guarantees will be secured, subject to the Intercreditor Agreement, the operation of the Agreed Security Principles, certain perfection requirements, any Permitted Collateral Liens, certain material limitations pursuant to applicable laws and the terms of the Security Documents, by certain security granted in favor of the Security Agent, including (i) a limited recourse English law share charge over all shares held by Midco in the Parent and security assignment of intercompany loans owed by the Parent to Midco and (ii) an English law debenture granted by each of the Parent, Finco, Bidco and the Issuer over certain material assets of the Parent, Finco, Bidco and the Issuer (the "**Closing Date Collateral**"), and as soon as reasonably practicable, and in any case no later than 120 days after the Re-Registration Date, the Notes and the Guarantees will be secured, subject to the Intercreditor Agreement, the operation of the Agreed Security Principles, certain perfection requirements, any Permitted Collateral Liens, certain material limitations pursuant to applicable laws and the terms of the Security Documents, by certain security granted by the Additional Guarantors in favor of the Security Agent, including (1) an English law debenture over certain material assets of the Additional Guarantors that are incorporated in England and Wales, (2) comparable security for Additional Guarantors incorporated in Guernsey and Jersey, and (3) with respect to the Additional Guarantors incorporated in the Netherlands, security over (i) the material bank accounts of such Additional Guarantors, (ii) intra-Restricted Group receivables, and (iii) shares owned by such Additional Guarantors in the Issuer or the other Guarantors (the "**Post Closing Date Collateral**," and together with the Closing Date Collateral, the "**Collateral**").

Under the terms of the Intercreditor Agreement and subject to the terms of the Indenture, lenders under the Revolving Facility Agreement and certain operating facilities, if any, and counterparties to certain hedging obligations, if any, will receive priority with respect to any proceeds received upon any enforcement action over the Collateral. See "*Description of Other Indebtedness—Intercreditor Agreement*."

The Collateral will, in each case, be limited and subject to certain statutory preferences under the laws of England and Wales, the Netherlands, Guernsey and Jersey, as applicable, as described under "*Risk Factors—Risks relating to our structure—English, Guernsey, Jersey, Portuguese and Dutch insolvency laws may provide you with less protection than U.S. bankruptcy law*" and "*Limitations on Validity and Enforceability of Guarantees and Security and Certain Insolvency Law Considerations*."

The Collateral may be released under certain circumstances. See "*Risk Factors—Risks relating to our structure—There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantees will be released automatically, without your consent or the consent of the Trustee*," "*Description of Other Indebtedness—Intercreditor Agreement*" and "*Description of the Notes—Security—Release of Liens*."

Optional Redemption of Euro Floating Rate Notes

Prior to November 15, 2022, the Issuer will be entitled, at its option, to redeem all or a portion of the Euro Floating Rate Notes at a redemption price equal to 100% of the principal amount of the Euro Floating Rate Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the date of redemption, plus the applicable "make whole" premium as set forth in this Offering Memorandum.

On or after November 15, 2022, the Issuer will be entitled, at its option, to redeem all or a portion of the Euro Floating Rate Notes at the redemption prices set forth under the caption "*Description of the Notes—Optional Redemption*," plus accrued and unpaid interest and Additional Amounts, if any.

Optional Redemption of Euro Fixed Rate Notes

Prior to November 15, 2023, the Issuer will be entitled, at its option, to redeem all or a portion of the Euro Fixed Rate Notes at a redemption price equal to 100% of the principal amount of the Euro Fixed Rate Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the date of redemption, plus the applicable "make whole" premium as set forth in this Offering Memorandum.

On or after November 15, 2023, the Issuer will be entitled, at its option, to redeem all or a portion of the Euro Fixed Rate Notes at the redemption prices set forth under the caption

“*Description of the Notes—Optional Redemption*,” plus accrued and unpaid interest and Additional Amounts, if any.

Prior to November 15, 2023, the Issuer will be entitled, at its option, to redeem up to 40% of the aggregate principal amount of the Euro Fixed Rate Notes (including any additional Euro Fixed Rate Notes) with the net proceeds of one or more specified equity offerings at a redemption price equal to 104.500%, plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the date of redemption, provided that at least 50% of the aggregate principal amount (excluding any additional Euro Fixed Rate Notes) remains outstanding after the redemption.

Prior to November 15, 2023, the Issuer may also redeem during each 12-month period commencing with the Issue Date up to 10% of the aggregate principal amount of the Euro Fixed Rate Notes outstanding, at its option, from time to time, at a redemption price equal to 103% of the principal amount of the Euro Fixed Rate Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any. See “*Description of the Notes—Optional Redemption*.”

Optional Redemption of Sterling Notes

Prior to November 15, 2023, the Issuer will be entitled, at its option, to redeem all or a portion of the Sterling Notes at a redemption price equal to 100% of the principal amount of the Sterling Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the date of redemption, plus the applicable “make whole” premium as set forth in this Offering Memorandum.

On or after November 15, 2023, the Issuer will be entitled, at its option, to redeem all or a portion of the Sterling Notes at the redemption prices set forth under the caption “*Description of the Notes—Optional Redemption*,” plus accrued and unpaid interest and Additional Amounts, if any.

Prior to November 15, 2023, the Issuer will be entitled, at its option, to redeem up to 40% of the aggregate principal amount of the Sterling Notes (including any additional Sterling Notes) with the net proceeds of one or more specified equity offerings at a redemption price equal to 106.000%, plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the date of redemption, provided that at least 50% of the aggregate principal amount (excluding any additional Sterling Notes) remains outstanding after the redemption.

Prior to November 15, 2023, the Issuer may also redeem during each 12-month period commencing with the Issue Date up to 10% of the aggregate principal amount of the Sterling Notes outstanding, at its option, from time to time, at a redemption price equal to 103% of the principal amount of the Sterling Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any. See "*Description of the Notes—Optional Redemption*."

Redemption for Taxation Reasons

In the event of certain developments affecting taxation, the Issuer may also redeem all, but not part, of the Notes of any series at a price equal to 100% of the principal amount plus accrued and unpaid interest and Additional Amounts, if any. See "*Description of the Notes—Redemption for Taxation Reasons*."

Additional Amounts

Any payments made by the Issuer, the Successor Company (as defined herein) or any Guarantor with respect to the Notes will be made without withholding or deduction for or on account of taxes unless required by law. If the Issuer, the Successor Company or the Guarantors are required by law to withhold or deduct amounts for or on account of tax imposed by the UK (or certain other relevant taxing jurisdictions) with respect to a payment to the holders of the Notes, the Issuer, the Successor Company or the relevant Guarantor will, subject to certain exceptions, pay the additional amounts necessary so that the net amount received by the holders of the Notes after the withholding or deduction is not less than the amount that they would have received in the absence of the withholding or deduction. See "*Description of the Notes—Additional Amounts*."

Further Issuance of Notes

Pursuant to the terms of the Indenture, the Issuer will be permitted to issue additional Notes. Additional Notes shall be treated, along with all other notes issued under the Indenture, as a single class for the purposes of the Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for such series. For all purposes other than U.S. federal income tax purposes, additional Notes shall be deemed to form one series with any notes previously issued under the Indenture if they have terms substantially identical in all material respects to such other notes.

In the event that any additional Notes issued after the date hereof and sold pursuant to Rule 144A are not fungible with

any notes previously issued under such Indenture for U.S. federal income tax purposes, such non-fungible additional Notes shall be issued with a separate ISIN, Common Code, CUSIP or other securities identification number, as applicable, so that they are distinguishable from such previously issued notes under such Indenture. Additional Notes sold pursuant to Regulation S from time to time may be issued with the same ISIN, Common Code, CUSIP or other securities identification number as the applicable series of notes previously issued under such Indenture without being fungible with such series of notes for U.S. federal income tax purposes.

If you are a U.S. holder (as defined in "*Certain Tax Considerations—Certain U.S. Federal Income Tax Considerations*") considering the purchase of Notes sold pursuant to Regulation S as part of this offering of Notes or in the secondary market, you should consult your tax advisors concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of such Notes, including with respect to the potential issuance of additional Notes that are not fungible with the applicable series of initial Notes issued under the Indenture for U.S. federal income tax purposes, but which nevertheless are not capable of being separately identified. In the event additional Notes are issued pursuant to Regulation S that bear the same ISIN, Common Code, CUSIP or other securities identification number as Notes belonging to the same series previously issued, without being fungible with such series of initial Notes for U.S. federal income tax purposes, Book-Entry Interests in the Regulation S Global Notes that form part of that series, including in respect of investors that hold Book-Entry Interests in the Regulation S Global Notes on or prior to the date of issuance of such additional Notes, will not be eligible for transfer to Book-Entry Interests in a Rule 144A Global Note (if any) representing Notes of that same series. Such a restriction could adversely impact the liquidity of sales of Book-Entry Interests in the Regulation S Global Notes. See "*Risk Factors—Risks Relating to the Notes—Additional Notes sold pursuant to Regulation S may not be fungible with existing Notes for U.S. federal income tax purposes,*" "*Book-Entry, Delivery and Form—Transfers*" and "*Description of the Notes—Additional Notes*."

Change of Control

Upon the occurrence of certain change of control events, the Issuer may be required to offer to redeem the Notes at 101%

	of the principal amount redeemed, plus accrued and unpaid interest and Additional Amounts, if any. However, a change of control will not be deemed to have occurred if a certain consolidated leverage ratio is not exceeded in connection with such an event. See "*Description of the Notes—Change of Control*."
Certain Covenants	The Indenture relating to the Notes, among other things, restricts the ability of the Parent 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; • prepay or redeem subordinated debt or equity; • enter into agreements that restrict our restricted subsidiaries' ability to pay dividends; • transfer or sell assets; • engage in transactions with affiliates; • create 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. See "*Description of the Notes—Certain Covenants*."
Transfer Restrictions	We have not registered the Notes or the Guarantees under the Securities Act. We have not agreed to, or otherwise undertaken, to register the Notes under the Securities Act. You may only offer or sell the Notes in transactions that are exempt from, or not subject to, the registration requirements of the Securities Act, or pursuant to an effective registration statement. See "*Transfer Restrictions*."
No prior market	The Notes will be new securities for which there is currently no established trading market. Although certain of the Initial Purchasers have advised 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, there is no assurance that an active trading market will develop for the Notes.
Listing	Application will be made to the Authority for the listing of and permission to deal in the Notes on the Official List of the Exchange. There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained.
Use of Proceeds	We expect to use the proceeds from the Offering (i) to provide the Proceeds Loan to Finco on or about the Issue Date and (ii) to pay certain fees and expenses associated with the Offering. Finco will use the proceeds from the Proceeds Loan (i) to repay a portion of the amounts outstanding under the Revolving Facility, (a) certain of which were on-lent to Bidco and will be used by Bidco to finance a portion of the costs in connection with the Transactions (other than the Offering) and (b) certain of which were on-lent to the Target Group to repay and cancel the Arrow Global Revolving Credit Facility and (ii) to provide the Target Loans to the Target Group to redeem and cancel the Existing Notes. See "*Use of Proceeds*."
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 English law. The Security Documents will be governed by English law, Guernsey law, Jersey law or Dutch law, as applicable.
Trustee	GLAS Trust Company LLC.
Security Agent	GLAS Trust Corporation Limited.
Paying Agent, Calculation Agent, Registrar and Transfer Agent	GLAS Trust Company LLC.
Listing Agent	Carey Olsen Corporate Finance Limited.
Risk Factors	Investing in the Notes involves a high degree of risk. See the "*Risk Factors*" section for a description of certain of the risks you should carefully consider before investing in the Notes.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL AND OTHER INFORMATION

Summary Historical Consolidated Financial Information

The following tables summarize the Target Group's historical consolidated financial information as of the dates and for the periods indicated, which has been derived from the 2018 Consolidated Financial Statements, 2019 Consolidated Financial Statements, 2020 Consolidated Financial Statements and the Unaudited Consolidated Financial Statements, and the related notes, in each case, included elsewhere in this Offering Memorandum. We have also presented certain information for the twelve months ended June 30, 2021, in order to facilitate a comparison of the Target Group's results of operations for such periods with other periods presented. The information for the twelve months ended June 30, 2021, has been derived by subtracting the Target Group's six months ended June 30, 2020, results of operations data from the Target Group's results of operations data for the year ended December 31, 2020, and adding the Target Group's results of operations data for the six months ended June 30, 2021.

The Target Group's results of operations for prior periods are not necessarily indicative of the results to be expected for any future period. For further information on the basis of presentation of the Target Group's consolidated financial statements, see "*Presentation of Financial and Other Information*." Certain of the Target Group's subsidiaries will be Unrestricted Subsidiaries as of the Issue Date, but will be consolidated in the Parent's consolidated financial statements for future periods. However, these Unrestricted Subsidiaries will remain outside of the Restricted Group.

Further, the 2019 Audited Consolidated Financial Statements have been re-presented in the 2020 Audited Consolidated Financial Statements. The re-presentation relates to certain balance sheet items, including (i) the inclusion of £26.6 million of bank balances within cash and cash equivalents, that were previously shown within trade and other receivables (this cash balance may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated securitization structure awaiting a payment date); and (ii) the reclassification of £21.7 million from 'other operating expenses' to 'collection activity and fund management costs' as part of the change in the segmental reporting structure as a result of the Target Group now being managed through an integrated asset management model. The total impact on operating expenses as a result of the reclassification is nil. For further information on the re-presentation of the 2019 Audited Consolidated Financial Statements, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Results of Operations.*" and "*Summary—Summary Consolidated Historical Financial and Other Information*."

We present below certain non-IFRS measures and ratios that are not required by or presented in accordance with IFRS, including Adjusted EBITDA, Run-rate Adjusted EBITDA, Pro Forma Annualized Adjusted EBITDA and certain leverage and coverage ratios, among others. There can be no assurance that items we have identified for adjustment as exceptional will not recur in the future or that similar items will not be incurred in the future. The non-IFRS measures are not measurements of financial performance under IFRS and should not be considered as alternatives to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. The non-IFRS measures as presented in this Offering Memorandum may differ from and may not be comparable to similarly titled measures

used by other companies, and Adjusted EBITDA, Run-rate Adjusted EBITDA and Pro Forma Annualized Adjusted EBITDA may each differ from consolidated EBITDA contained in "*Description of the Notes*" and that will be contained in the Indenture. The calculations for the non-IFRS measures are based on various assumptions. This information is inherently subject to risks and uncertainties. It may not give an accurate or complete picture of our financial condition or results of operations for the periods presented and should not be relied upon when making an investment decision. See "*Presentation of Financial and Other Information*."

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

On the Issue Date, ACMH, ACML and ACML's subsidiaries will be Unrestricted Subsidiaries and therefore not subject to the restrictions under the Indenture. No separate financial information for ACMH and its subsidiaries is included in this Offering Memorandum and the results of these Unrestricted Subsidiaries are consolidated in our Consolidated Financial Statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income Data

	For the year ended December 31,			For the six months ended June 30,	
	2018	2019	2020	2020	2021
		(£'000)		(£'000)	
Income from portfolio investments at amortized costs[1]	193,932	199,094	164,597	91,015	68,570
Fair value gains on portfolio investments at FVTPL	24,745	32,397	4,976	(12,841)	23,419
Impairment (losses)/gains on portfolio investments	50,727	12,714	(100,436)	(120,753)	17,655
Income from real estate inventories	—	561	492	167	1,033
Total income from portfolio investments	**269,404**	**244,766**	**69,629**	**(42,412)**	**110,677**
Income from asset management and servicing and fund and investment management	91,661	94,360	97,026	45,458	55,646
Gain on disposal of leases	—	—	453	—	—
Profit on sale of property	731	—	—	—	—
Other income	—	392	384	341	9
Total income	**361,796**	**339,518**	**167,492**	**3,387**	**166,332**
Operating expenses:					
Collection Activity and Fund Management Costs	(119,041)	(131,527)	(130,572)	(64,279)	(66,400)
Other operating expenses	(135,972)	(102,173)	(94,248)	(48,040)	(69,185)
Total operating expenses	**(255,013)**	**(233,700)**	**(224,820)**	**(112,319)**	**(135,585)**
Operating profit/(loss)	106,783	105,818	(57,328)	(108,932)	30,747
Finance income	76	61	61	21	4
Finance costs	(66,868)	(54,559)	(57,556)	(27,031)	(30,241)
Profit/(loss) before tax	**39,991**	**51,320**	**(114,823)**	**(135,942)**	**510**
Taxation credit/(charge) on ordinary activities	(10,022)	(14,033)	21,206	25,509	(1,375)
Profit/(loss) after tax	**29,969**	**37,287**	**(93,617)**	**(110,433)**	**(865)**
Other comprehensive income:					
Items that are or may be reclassified subsequently to profit or loss:					
Foreign exchange translation difference arising on revaluation of foreign operations	1,370	(7,077)	6,741	9,534	(6,466)
Movement on hedging reserve	(241)	161	356	167	35
Total comprehensive income/(loss)	**31,098**	**30,371**	**(86,520)**	**(100,732)**	**(7,296)**

	For the year ended December 31,			For the six months ended June 30,	
	2018	2019	2020	2020	2021
		(£'000)		(£'000)	
Profit/(loss) after tax attributable to:					
Owners of the Company	29,969	35,223	(92,829)	(109,771)	(938)
Non-controlling interest	—	2,064	(788)	(662)	73
	29,969	**37,287**	**(93,617)**	**(110,433)**	**(865)**

Consolidated Balance Sheet Data

	As of December 31,			As of June 30,	
	2018	2019	2020	2020	2021
		(£'000)		(£'000)	
Assets					
Portfolio investments – amortized cost	869,056	932,199	793,554	809,792	735,353
Portfolio investments – FVTPL	217,974	169,799	187,421	152,050	239,322
Portfolio investments – real estate inventories	—	61,626	61,240	65,486	53,351
Total Portfolio investments	1,087,030	1,163,624	1,042,215	1,027,328	1,028,026
Liabilities					
Senior secured notes[1]	926,340	897,875	930,575	937,831	967,059
Revolving credit facility (net of issuance costs)	242,121	230,963	277,552	280,788	201,504
Asset-Backed loans	—	84,077	143,985	91,950	93,856
Bank overdrafts	2,696	1,386	3,648	4,198	3,094
Other borrowings[2]	11,635	3,672	3,247	4,365	2,487

(1) The 2024 Notes, the 2025 Notes and the 2026 Notes are presented as "Senior secured notes" in the Target Group's consolidated financial statements. See "*Presentation of Financial and Other Information—Financial Information for the Target Group*."

(2) Other borrowings represent borrowings by certain SPVs that we do not control, but are consolidated in our financial statements for accounting purposes.

Consolidated Statement of Cash Flow Data

	For the year ended December 31,			For the six months ended June 30,	
	2018	2019	2020	2020	2021
		(£'000)		(£'000)	
Net cash generated by/(used in) operating activities	(19,021)	6,456	41,510	54,107	41,700
Net cash used in investing activities	(78,319)	(27,935)	(21,000)	(12,480)	(17,621)
Net cash generated by/(used in) financing activities	153,198	7,521	40,276	15,694	(86,374)
Net increase/(decrease) in cash and cash equivalents	**55,858**	**(13,958)**	**60,786**	**57,321**	**(62,295)**

Net Debt

The following table sets forth the components of our Net Debt at the dates indicated.

	As of December 31,			As of June 30,	
	2018	2019	2020	2020	2021
		(£'000)		(£'000)	
Cash and cash equivalents[1]	**(92,001)**	**(115,376)**	**(182,892)**	**(165,759)**	**(117,978)**
Existing Notes/Senior secured notes (pre-netting of transaction fees)	935,567	902,656	935,487	943,983	971,887
Arrow Global Revolving Credit Facility/Revolving credit facility (pre-netting of transaction fees)	245,587	234,683	280,342	284,043	203,896
Non-Recourse Facilities/Asset-backed loan (pre-netting of transaction fees)	—	85,604	148,044	93,184	95,953
Secured Net Debt	**1,089,153**	**1,107,567**	**1,180,981**	**1,155,451**	**1,153,758**

	As of December 31,			As of June 30,	
	2018	2019	2020	2020	2021
		(£'000)		(£'000)	
Deferred consideration – portfolio investments[2]	12,031	62,944	12,038	52,908	8,184
Deferred consideration – business acquisitions[3]	59,922	30,372	20,130	24,278	11,318
Existing Notes/Senior secured notes interest[4]	5,542	7,999	5,568	5,526	5,707
Non-Recourse Facilities/Asset-backed loan interest	—	—	649	116	373
Miscellaneous Facilities/Bank overdrafts	2,696	1,386	3,648	4,198	3,094
Other borrowings	11,635	3,672	3,247	4,365	2,487
Net debt	**1,180,979**	**1,213,940**	**1,226,261**	**1,246,842**	**1,184,921**

(1) Cash and cash equivalents as of December 31, 2019 have been re-presented in the 2020 Audited Consolidated Financial Statements. Cash and cash equivalents as of December 31, 2020 included £12,902,000 (2019: £26,611,000) of cash which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated securitization structure awaiting a payment date.
(2) Includes deferred consideration payable in relation to the acquisition of portfolios investments.
(3) Includes deferred consideration payable in relation to the acquisition of subsidiaries and associates.
(4) Comprises accrued and unpaid interest on the 2024 Notes, 2025 Notes and the 2026 Notes.

Other Financial Data

	As of and for the year ended December 31,			As of and for the six months ended June 30,		As of and for the twelve months ended June 30,
	2018	2019	2020	2020	2021	2021
84-Month ERC (£m)[1]	1,635	1,818	1,556	1,578	1,572	n/a
120-Month ERC (£m)[2]	1,972	2,035	1,722	1,762	1,733	n/a
Purchases of investment portfolios in the period (£'000)[3]	263,350	303,687	109,850	42,882	94,775	161,743
Balance Sheet Cash Collections/Collections in the period (£'000)[4]	411,588	442,311	338,872	175,776	179,609	342,705
Funds under management (€bn)[5]	—	3.7	4.3	4.3	4.8	n/a
Adjusted Free Cash Flow (£m)[6]	230,709	261,353	156,553	82,465	90,662	164,750
EBITDA (£'000)[7]	121,018	125,271	(37,675)	(100,049)	61,277	123,651
Adjusted EBITDA (£'000)[8]	294,032	330,050	233,163	118,716	131,199	245,646
Capital-light businesses' percentage of Group EBITDA (%)[9]	—	33.3%	(48.4)%	(6.8)%	22.5%	20.4%
Leverage[10]	3.7	3.4	5.1	3.8	4.7	n/a

(1) 84-Month ERC means our estimated remaining Balance Sheet Cash Collections on portfolio investments over an 84-month period, representing the expected future Balance Sheet Cash Collections on portfolio investments over an 84-month period. See "*Presentation of Financial and Other Information*" and "*Risk Factors—Other Risks Relating to our Operations—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.*"
(2) 120-Month ERC means our estimated remaining Balance Sheet Cash Collections on portfolio investments over a 120-month period, representing the expected future Balance Sheet Cash Collections on portfolio investments over a 120-month period. See "*Presentation of Financial and Other Information*" and "*Risk Factors—Other Risks Relating to our Operations—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.*"
(3) Purchases of investment portfolios represent the purchase price of our portfolio investments made during the period.
(4) Balance Sheet Cash Collections, which are presented in the Consolidated Financial Statements and mean cash collections on our existing portfolio investments including ordinary course portfolio sales and put-backs.
(5) Funds under management means the value of all fund management assets managed by us, including Arrow Credit Opportunities, Norfin, Europa Investimenti, Sagitta, any of our own capital which we have committed to invest alongside third parties committed capital and our back book.
(6) Adjusted Free Cash Flow means Adjusted EBITDA less cash interest, income taxes and overseas taxation paid and amounts paid for the purchase of property, plant and equipment and intangible assets. See note (8) below for a reconciliation of free cash flow to net cash from operating activities.
(7) We define EBITDA as our earnings before interest, tax, depreciation and amortization of intangible assets and foreign exchange gains and losses. EBITDA for the six months ended June 30, 2021 is presented before Acquisition costs. The below table sets forth a reconciliation of EBITDA to total income for the periods presented:

	For the year ended December 31,			For the six months ended June 30,	
	2018	2019	2020	2020	2021
Total income	361,796	339,518	167,492	3,387	166,332
Collection Activity and Fund Management Costs	(119,041)	(131,527)	(130,572)	(64,279)	(66,400)
Gross Margin	**242,755**	**207,991**	**36,920**	**(60,892)**	**99,932**
Gross Margin %	—	—	—	—	60.1%
Other operating expenses excluding depreciation, amortization and forex	(121,737)	(82,720)	(74,595)	(39,157)	(38,655)
EBITDA	**121,018**	**125,271**	**(37,675)**	**(100,049)**	**61,277**

(8) We define Adjusted EBITDA as profit/(loss) for the year adjusted to exclude the effects of finance income and costs, taxation credit/(charge) on ordinary activities, portfolio amortization, depreciation and amortization, foreign exchange gains/(losses), amortization of acquisition and bank facility fees, gain on disposal of leases, profit/(loss) on disposal of intangible assets, share-based payments and deferred consideration renegotiations.

Reconciliation of Adjusted EBITDA to net cash flow. For supplemental purposes, we have also included a reconciliation of net cash used in operating activities to Adjusted EBITDA. For purposes of this reconciliation, Adjusted EBITDA represents net cash used in operating activities adjusted to exclude the effects of purchases of portfolio investments, income taxes paid, working capital adjustments, amortization of acquisition and bank facility fees, write off and disposal of intangible asset and property plant and equipment and other adjusting items.

Reconciliation of Adjusted EBITDA to Balance Sheet Cash Collections. Additionally, for supplemental purposes, we have included a reconciliation of Balance Sheet Cash Collections, which is included in the Consolidated Financial Statements that are presented in accordance with IFRS, to Adjusted EBITDA. We include this supplemental reconciliation because we consider the conversion of Balance Sheet Cash 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 Balance Sheet Cash Collections (which includes income from portfolio investments (including fair value and impairment losses and gains) and portfolio amortization), and excluding the effects of other income (which is income from Asset Management and Servicing and Fund and Investment Management), operating expenses, depreciation and amortization, foreign exchange (gains)/losses, amortization of acquisition and bank facility fees, deferred consideration renegotiations, loss on disposal of intangible asset, share-based payments and other adjusting items.

The following tables set forth the reconciliations of profit for the period, net cash flow from operating activities, and income from portfolio investments, in each case, to Adjusted EBITDA (and in the case of net cash flow from operating activities, to Adjusted Free Cash Flow) for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2018	2019[(a)]	2020	2020	2021
		(£'000)		(£'000)	
Profit/(loss) for the period	**29,969**	**37,287**	**(93,617)**	**(110,433)**	**(865)**
Net finance income and costs	48,134	54,498	57,495	27,010	30,237
Taxation (credit)/charge on ordinary activities	10,022	14,033	(21,206)	(25,509)	1,375
Adjusting finance costs	18,658	—	—	—	—
Operating profit/(loss)	**106,783**	**105,818**	**(57,328)**	**(108,932)**	**30,747**
Portfolio amortization[(b)]	142,184	197,545	269,243	218,188	68,932
Depreciation and amortization	14,235	18,435	18,910	8,151	8,581
Foreign exchange losses/(gains)[(c)]	(2)	1,018	743	732	(407)
Profit on sale of property	(731)	—	—	—	—
Amortization of acquisition and bank facility fees	273	127	46	29	—
Gain on disposal of leases	—	—	(453)	—	—
Disposal of intangible assets	508	—	249	—	—
Proceeds from sale of property	3,759	—	—	(627)	41
Share-based payments	3,267	1,437	1,753	1,175	949
Deferred consideration renegotiations	—	(21,119)	—	—	—
Acquisition costs	14,717	—	—	—	—
Adjusting items[(d)]	9,039	26,789	—	—	22,356
Adjusted EBITDA	**294,032**	**330,050**	**233,163**	**118,716**	**131,199**

	For the year ended December 31,			For the six months ended June 30,	
	2018	2019	2020	2020	2021
		(£'000)		(£'000)	
Net cash from/(used in) operating activities	**(19,021)**	**6,456**	**41,510**	**54,107**	**41,700**
Purchases of portfolio investments	263,350	303,687	109,850	42,882	94,775
Income taxes paid	9,428	14,036	6,491	1,429	1,147
Working capital adjustments[(a)(e)]	12,487	(13,860)	75,266	20,269	(26,156)
Amortization of acquisition and bank facility fees	273	127	46	29	—
Proceeds from sale of property	3,759	—	—	—	—
Write-off and disposal of intangible asset and property, plant and equipment	—	(7,185)	—	—	—
Acquisition costs	14,717	—	—	—	—
Adjusting items[(d)]	9,039	26,789	—	—	19,733
Adjusted EBITDA	**294,032**	**330,050**	**233,163**	**118,716**	**131,199**
Net finance income and costs	(42,951)	(41,562)	(56,295)	(25,697)	(30,080)
Taxation credit/(charge) on ordinary activities	(9,428)	(14,036)	(6,491)	(1,429)	(1,147)
Capital expenditure[(f)]	(10,944)	(13,099)	(13,824)	(9,125)	(9,310)
Adjusted Free Cash Flow	**230,709**	**261,353**	**156,553**	**82,465**	**90,662**

	For the year ended December 31,			For the six months ended June 30,	
	2018	2019	2020	2020	2021
		(£'000)		(£'000)	
Income from portfolio investments including fair value and impairment losses and gains	269,404	244,766	69,629	(42,412)	110,677
Portfolio amortization[(b)]	142,184	197,545	269,243	218,188	68,932
Balance Sheet Cash Collections/Collections in the year	**411,588**	**442,311**	**338,872**	**175,776**	**179,609**
Income from asset management servicing and other income	91,661	94,752	97,410	45,799	55,655
Operating expenses	(255,013)	(233,700)	(224,820)	(112,319)	(135,585)
Depreciation and amortization	14,235	18,435	18,910	8,151	8,581
Foreign exchange (gains)/losses[(c)]	(2)	1,018	743	732	(407)
Amortization of acquisition and bank facility fees	273	127	46	29	—
Proceeds from sale of property	3,759	—	—	(627)	41
Deferred consideration renegotiations	—	(21,119)	—	—	—
Disposal of intangible asset	508	—	249	—	—
Share-based payments	3,267	1,437	1,753	1,175	949
Acquisition costs	14,717	—	—	—	—
Adjusting items[(d)]	9,039	26,789	—	—	22,356
Adjusted EBITDA	**294,032**	**330,050**	**233,163**	**118,716**	**131,199**

(a) Financial information as of and for the year ended December 31, 2019 has been re-presented in the 2020 Audited Consolidated Financial Statements. Cash and cash equivalents for 2020 included £12,902,000 (2019: £26,611,000) of cash which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated securitization structure awaiting a payment date. The 2019 reconciliation above has been re-presented to remove these amounts from the net cash generated by operating activities, as in the prior year they were included within this line item, but are now included within cash and cash equivalents at the beginning and end of each year.

(b) Portfolio amortization represents Balance Sheet Cash Collections in excess of income from purchased portfolio investments.

(c) Foreign exchange losses/(gains) include costs related to the re-translation of euro-denominated loan portfolios.

(d) Adjusting items relate to exceptional or non-cash costs.

(e) Working capital adjustments included, historically, the net movement on debtors and creditors, excluding the Arrow Global Revolving Credit Facility, Non-Recourse Facilities, the 2024 Notes and related accrued interest, the 2025 Notes and related accrued interest and the 2026 Notes and related accrued interest, and corporation tax debtors and creditors. The following table sets forth the working capital adjustments based on the Target Group's consolidated statement of cash flow for the periods under review.

	For the year ended December 31,			For the six months ended June 30,	
	2018	2019	2020	2020	2021
		(£'000)		(£'000)	
(Decrease)/increase in other receivables	(28,132)	1,740	(30,551)	7,741	137
Increase in trade and other payables	15,645	12,120	(44,715)	(28,010)	26,019

	For the year ended December 31,			For the six months ended June 30,	
	2018	2019	2020	2020	2021
Working capital adjustments	12,487	(13,860)	75,266	20,269	(26,156)

(f) Capital expenditure comprises leasehold improvements, computer equipment, furniture and software licenses. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital expenditure*

(9) Capital-light businesses' percentage of Group EBITDA means the Fund and Investment Management business EBITDA and Asset Management and Servicing EBITDA as a percentage of total EBITDA. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations——Description of Key Performance Metrics—Profit before and after tax, EBITDA and EBITDA Margin and segmental profit before tax, EBITDA and EBITDA Margin"* for our business segment EBITDA split. The Capital-light businesses' percentage of Group EBITDA for the six months and for the twelve months both ended June 30, 2021 does not take into account any costs associated with the Acquisition.

(10) Leverage is calculated as Secured Net Debt over Adjusted EBITDA.

Pro Forma Annualized Adjusted EBITDA

In this Offering Memorandum, we present Pro Forma Annualized Adjusted EBITDA. We present Pro Forma Annualized Adjusted EBITDA because we believe that this non-IFRS measure provides useful information regarding a company's ability to service and incur indebtedness, particularly in light of COVID-19 pandemic-related effects on our audited historical data. The Pro Forma Annualized Adjusted EBITDA information presented below has been prepared for information purposes only in order to estimate our operating results had we not been impacted by the COVID-19 pandemic by annualizing our results in the six months ended June 30, 2021 and also by making certain adjustments to reflect certain anticipated cost savings in connection with the Acquisition. While we believe that we will implement processes in place to achieve such cost savings, we may not be able to achieve them in full or within the contemplated timelines. See "*Risk Factors—Relating to the Transactions—Bidco has made certain assumptions relating to the Acquisition in forecasts that may prove to be materially inaccurate,*" "*Risk Factors—Relating to the Transactions—This Offering Memorandum includes forward-looking statements, certain targets and assumptions in forecasts that involve risks and uncertainties*" and "*Risk Factors—Risks Relating to the Transactions—We have included in this Offering Memorandum certain unaudited adjusted data, and other financial information not prepared in accordance with IFRS.*" Pro Forma Annualized Adjusted EBITDA has not been prepared in accordance with IFRS, U.S. GAAP or any other internationally accepted accounting principles or audited or reviewed in accordance with any applicable auditing standards. As a non-IFRS measures, Pro Forma Annualized Adjusted EBITDA is not identified as an accounting measure under IFRS and therefore should not be considered as an alternative or substitute measure to evaluate our performance. Pro Forma Annualized Adjusted EBITDA has limitations as an analytical tool and should not be considered in isolation. You should also bear in mind the limitations inherent in the use of annualized data, including that our first half of 2021 is not necessarily representative of our entire year. See "*Presentation of Financial Information—Other Financial Information—Financial measures not prepared in accordance with IFRS*" for further details.

Further, Pro Forma Annualized Adjusted EBITDA presented in this Offering Memorandum is for illustrative purposes only and does not purport to be indicative of our historical operating results nor is it meant to be predictive of potential future results. The assumptions underlying the adjustments are based on our estimates and they involve risks, uncertainties and other factors that may cause actual results or performance to be materially different from anticipated future results or performance expressed or implied by such adjustments. See "*Forward-*

Looking Statements" and "*Risk Factors—Relating to the Transactions—This Offering Memorandum includes forward-looking statements, certain targets and assumptions in forecasts that involve risks and uncertainties*."

The following table sets forth the reconciliation of Adjusted EBITDA for the six months ended June 30, 2021 to Pro Forma Annualized Adjusted EBITDA.

	Unless otherwise indicated, for the six months ended June 30,
	2021
	(£ million)
Adjusted EBITDA[1]	**131**
Run-rate effect of revenues from Asset Management and Servicing business[2]	5
Run-rate effect of revenues from Fund and Investment Management business[3]	2
Run-rate Adjusted EBITDA	**138**
Annualized Run-rate Adjusted EBITDA[4]	277
Targeted annual cost-savings[5]	20
Pro Forma Annualized Adjusted EBITDA	**297**

(1) For a reconciliation of Adjusted EBITDA to net cash flow and to Balance Sheet Cash collections, see note (8) under "*—Other Financial Information*" above.

(2) Our segmental revenues from the Asset Management and Servicing business for the six months ended June 30, 2021 were £64.2 million (including internal revenues). However, these revenues do not give effect to (i) the expected full run-rate effect of contract wins made prior to June 30, 2021, including the contract with Tesco Bank that was concluded in the third quarter of 2021, and (ii) the increase in revenues from management fees generated by our ACO 1 fund for investments which have already been committed, but for which fees have not been accrued fully during this period. We expect that our revenues from the Asset Management and Servicing business would increase to approximately £75 million based on (a) budgeted revenue from 26 new contract wins in 2020 and budgeted revenue from a further 11 new contract wins during the first half of 2021, as well as the contract with Tesco Bank that was concluded in the third quarter of 2021, less revenues derived from contracts due to expire during that period, and (b) run-rate for asset management and servicing fees based on the deployment of the Fund during the six months ended June 30, 2021 and being serviced by our Asset Management and Servicing business. We have derived an estimated run-rate effect of these budgeted revenues by assuming a 45% EBITDA Margin to the expected revenue increase of approximately £11 million. We believe that the assumption of 45% EBITDA Margin is reasonable based on our experience with similar contracts.

(3) Run-rate effect of revenues from our Fund and Investment Management business represent the incremental management fees of approximately £2 million generated from the deployment by the Fund during the six-month period ended June 30, 2021. The run-rate effect has been calculated by multiplying the net asset value, excluding any working capital borrowings within the Fund, by the average management fees generated, and subtracting that from the actual management fees for the six months ended June 30, 2021.

(4) We have provided an Annualized Run-rate Adjusted EBITDA figure which is derived by multiplying our Run-rate Adjusted EBITDA for the six months ended June 30, 2021 by two.

(5) Management is targeting £20 million of cost savings comprising three elements, being (i) target annual estimated cost savings of £6 million on account of conversion of AGG from a public listed company to a private company (the savings are expected to be delivered as a result of the Acquisition and will include reduced board management costs, reduction due to the removal of the existing long term incentive plan and share incentive plan schemes, lower advisor costs, reduced investor relations activity and sundry savings), (ii) £6 million of estimated savings expected to be realized at or shortly after the completion of the strategic review and are expected to be delivered through organizational changes and reduced central functions overhead costs, such as cost savings expected from the planned vertical alignment of our local platforms and the corresponding local investment strategies under a fund management framework and our focus on creating a cost-ownership culture which engenders accountability and delivers efficiencies without creating dual-layer costs (see "*Business—Cost Structure Development and Cost Saving Opportunities—Cost Savings*" for further information), and (iii) £8 million of estimated targeted savings, which will be targeted to be delivered following the completion of the strategic review during the course of 2022. The savings are expected to be realized through greater efficiency, increased accountability and operational leverage within the platforms, such as the implementation of collection cost reduction initiatives. The total targeted cost savings of £20 million of net run-rate annual cost savings represent 8.9% of our overall cost base based on a cost base of £225 million for the year ended December 31, 2020. Furthermore, an independent third-party advisor estimates total cost savings of between £17 and £32 million, with £9 to £20 million overhead cost reductions and £8 to £13 million in direct cost reductions. This compares with the management's target savings of £20 million as outlined above. The independent third-party advisor also estimates one-off costs ranging from £10 million to £20 million in order to realize such cost savings. See also "*Business—Cost Structure Development and Cost Saving Opportunities*," "*Risk Factors—Risks Relating to the Transactions—This Offering Memorandum includes forward-looking statements, certain targets and assumptions in forecasts that involve risks and uncertainties*" and "*Risk Factors—Risks Relating to the Transactions—We have included in this Offering Memorandum certain unaudited adjusted data, and other financial information not prepared in accordance with IFRS.*"

As Adjusted Financial Information

The *as adjusted* financial information below is presented on an *as adjusted* basis to illustrate the impact of the Transactions on the Group's consolidated financial statements had the Offering and all of the Transactions occurred on July 1, 2020 (with respect to consolidated statement of profit or loss and other comprehensive income data) or on June 30, 2021 (with respect to consolidated balance sheet data). See "*Presentation of Financial and Other Information—Other Financial Information—As Adjusted Financial Information*."

	As of and for the twelve months ended June 30, 2021
	(£'000, except as otherwise indicated)[1]
As adjusted cash and cash equivalents[2]	118
***As adjusted* total debt[3]**	**1,354**
***As adjusted* Net Debt[4]**	**1,235**
As adjusted net interest expense[5]	69.1
Ratios	
As adjusted Leverage[6]	4.2x

(1) The financial information in euro was converted to pounds sterling at a rate of €1.1785 to £1.00 (based on the Bloomberg Composite Rate (New York) as of October 12, 2021). You should not view the translation as a representation that the euro amounts actually represent the converted pounds sterling amounts, or could be or could have been converted into pounds sterling at the rate indicated or at any other rate.

(2) Represents our cash and cash equivalents *as adjusted* for the Transactions, as if the Transactions had occurred on June 30, 2021. See "*Capitalization*."

(3) Comprises our total debt *as adjusted* for the Transactions as if the Transactions had occurred on June 30, 2021, less our cash and cash equivalents *as adjusted* for the Transactions. See note (2) above for the components of our cash and cash equivalents *as adjusted* for the Transactions. See also "*Capitalization*" and "*Use of Proceeds*." The following table sets forth the components of our total debt *as adjusted* for the Transactions.

	As of June 30, 2021
	(£'000)
Total debt[a][b]	1,269
Euro Floating Rate Notes offered hereby[b]	543
Euro Fixed Rate Notes offered hereby[b]	339
Sterling Notes offered hereby	350
Revolving Facility[c]	21
Less: redemption of the Existing Notes	*967*
Less: repayment of drawings under:	
Arrow Global Revolving Credit Facility	*202*
***As adjusted* total debt**	**1,353**

(a) Comprises:

- the 2024 Notes, 2025 Notes and 2026 Notes (£967 million, converted to pounds sterling as set forth below under (b));
- the Arrow Global Revolving Credit Facility (£202 million);
- the Non-Recourse Facilities (£94 million); and
- the Miscellaneous Facilities and other borrowings (£6 million).

(b) Converted to pounds sterling at a rate of €1.1785 to £1.00 (based on the Bloomberg Composite Rate (New York) as of October 12, 2021). You should not view the translation as a representation that the euro amounts actually represent the converted sterling amounts, or could be or could have been converted into pounds sterling at the rate indicated or at any other rate.

(c) Represents the excess drawings required under the Revolving Facility as of June 30, 2021 as if the Transactions had taken place on June 30, 2021. On or about October 19, 2021, Finco drew a total of £263.6 million (equivalent) drawings under the Revolving Facility consisting of £189.7 million and €87.1 million (£73.9 million equivalent) in order to bridge certain amounts prior to the Offering of the Notes; a total of £231.4 million (equivalent) consisting of £157.5 million and €87.1 million (£73.9 million equivalent) of the drawings under the Revolving Facility were on-lent to the Target Group to repay and cancel the Arrow Global Revolving Credit Facility. On the

Issue Date, the proceeds of the Offering will be used to repay a portion of the Revolving Facility. As a result, upon completion of the Transactions, including repayment of the Revolving Facility from the proceeds of the Offering, £55 million will remain outstanding under the Revolving Facility as of the Issue Date.

(4) *As adjusted* Net Debt is calculated as *as adjusted* total debt less *as adjusted* cash and cash equivalents.

(5) Represents interest expense of our third-party financial indebtedness following the Transactions, including (i) outstanding borrowings under the Revolving Facility on the Issue Date which is expected to be £55 million and the commitment fee payable under the Revolving Facility, (ii) the issuance of the Notes offered hereby and (iii) the outstanding borrowings under the Non-Recourse Facilities, as if the Transactions occurred on July 1, 2020, and excludes any interest expense with respect to (a) our other indebtedness which has since been extinguished, (b) our finance leases, which amounted to £17.9 million and (c) any other borrowings, including the Miscellaneous Facilities.

(6) *As adjusted* Leverage is calculated as *as adjusted* Net Debt over Pro forma Annualized Adjusted EBITDA.

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 business, 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 the Regulation of our Business

Our UK operations are subject to significant oversight by UK regulators that view our operations as "higher risk" activities. Failure to comply with such applicable laws, regulations and codes of practice relating to debt purchase, collection and asset management industries in the UK could result in substantial losses and the suspension, termination or impairment of our ability to conduct business.

As of June 30, 2021, 36% (by 84-Month ERC) of the portfolios that we have purchased were originated in the UK, where our operations are subject to licensing and regulation by governmental and regulatory bodies, including the FCA, the ICO and the UK Office of Communications. The FCA regards debt collection as a "higher-risk" activity, which is subject to detailed conduct of business rules and, generally, more stringent regulatory standards than "lower-risk" activities. In addition, the FCA has substantial enforcement powers and a broad range of disciplinary measures that it can apply. To date, the FCA has already taken action against a number of operators in the consumer credit and mortgage servicing industries including various debt management firms. The FCA may take further action against our industry as a whole that may require significant modifications to how we operate our business, which could have a material adverse effect on our business, prospects and financial condition.

Our business in the UK is conducted through the UK Regulated Firms, which are Group companies that are authorized and regulated by the FCA to conduct consumer credit and mortgage-related regulated activities. See "*Regulation and Compliance—Regulatory Framework—United Kingdom*."

To maintain full authorization to carry on regulated activities, the UK Regulated Firms are required to continually meet certain organizational and suitability standards (referred to as the "**threshold conditions**"), including that they are "fit and proper" to maintain their authorization. The FCA is required by FSMA to determine whether a firm that is authorized by the FCA continues to meet the threshold conditions. Failure to continually meet the threshold conditions may result

in the FCA taking disciplinary action, including commencing a process to vary, suspend or withdraw a firm's authorization. Where an authorized firm breaches FCA rules, the FCA may take enforcement action which might lead it to, for example, impose a financial penalty on that firm or issue a public statement of censure.

Since our receipt of FCA authorization in August 2016, we have had an open and transparent relationship with the FCA, including the fact that we have made a number of notifications to the FCA in compliance with its Principles of Business Rules. Following such notifications, the FCA has sought information on a number of our activities, including, but not limited to, refunds for customers where their accounts have a credit balance due to over-payments or account adjustments, the remediation of customer accounts to meet requirements of the CCA, the application of post-judgment interest to customer accounts by DCAs and collection of statute barred debt.

If any of the UK Regulated Firms' authorization is varied, suspended or withdrawn, our business would be severely constrained and could not continue to be operated in the way it is currently being operated. In addition, any variation, suspension or withdrawal of authorization, or certain other disciplinary action taken by the FCA against one of the UK Regulated Firms, may become publicly known and may result in severe reputational damage. If any of the UK Regulated Firms becomes subject to disciplinary action by the FCA, Investment Portfolio 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 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 the FCA's supervisory activities (such as thematic reviews of the consumer credit and mortgage servicing markets). Remedial actions that may be necessary could increase our costs, reduce our ability to collect from our purchased portfolios, reduce our ability to invest and develop our Fund and Investment Management business and otherwise adversely affect our business, results of operations and financial condition. In addition, our risk management and compliance framework may require additional investment and resources to satisfy applicable FCA requirements and we may need to enhance it further to comply with forthcoming and future legal and regulatory requirements.

In addition to certain FCA requirements, the UK Regulated Firms are also subject to numerous detailed legislative and regulatory requirements, principally contained in FSMA, the CCA, the UTCCR, the CRA and the CPUTR. The UK Regulated Firms are also subject to the FCA Handbook which sets out rules and guidance, including PRIN, GEN, SYSC, CONC and MCOB (as relevant). See "*Regulation and Compliance—Regulatory Framework—United Kingdom*." We subscribe to the Standards of Lending Practice issued by the LSB, having become a registered firm with the LSB in July 2016.

Regardless of each company's direct legal and regulatory position, the UK Regulated Firms may be subject to contractual obligations to observe certain requirements under, or to ensure that their business is run in a way that is not inconsistent with, certain additional FCA rules or requirements. As a result of our registration with the LSB, we are required to comply with the

relevant provisions of the Standards of Lending Practice by Investment Portfolio Sellers and, therefore, we operate in accordance with the applicable provisions of the Standards of Lending Practice.

Any failure by us or our agents or assignees to comply with applicable laws, regulations, rules and guidance (such as the rules and guidance on irresponsible lending and debt collection, fund and investment management), or material contractual obligations could result in regulatory investigations or enforcement action (that may, for example, lead to fines, obligations to implement remediation programs, the variation, suspension or withdrawal of authorization for some or all of the UK Regulated Firms), court sanctions (that may, for example, render customer agreements, or certain contractual terms therein, unenforceable or require us to repay sums or pay damages to borrowers or investors), FOS examinations (that may, for example, require us to pay compensation) and reputational damage. Further, and as an example, non-compliance with certain provisions of the CCA may 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 UK Regulated Firms are dependent on information being provided to them by Investment Portfolio 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 Investment Portfolio Seller to provide this information could adversely affect the UK Regulated Firms' 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 Investment Portfolio Seller, could entitle an Investment Portfolio Seller to terminate any Forward Flow Agreement with us and to seek available remedies. In such a case, the Investment Portfolio 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 Investment Portfolio Sellers and investors from selling portfolios to us or investing with us and/or result in our being removed from their sales panels. Moreover, failure by the UK Regulated Firms or by Investment Portfolio Sellers to comply with consumer protection legislation may lead to customer agreements becoming unenforceable (in part or in whole), which could render the UK Regulated Firms unable to collect purchased debts and, depending on the breach, may result in them losing the right to charge (or retain) interest and other fees or charges under such agreements without taking appropriate remedial action (which could be costly and time consuming) or at all.

We are subject to extensive regulatory requirements in jurisdictions other than the UK in which we operate and failure to comply with such applicable laws, regulations and codes of practice relating to debt purchase, collection and asset management industries in these jurisdictions could result in substantial losses and the suspension, termination or impairment of our ability to conduct business.

As of June 30, 2021, 64% (by 84-Month ERC) of the portfolios that we have purchased were originated outside the UK. This percentage is expected to grow in the future with 57% (by 84-Month ERC) of our portfolios originated outside the UK, as of December 31, 2019. Through acquisition of our servicing platforms and the investment in portfolios originated in jurisdictions

outside the UK, we have expanded our geographical footprint and, as such, we are subject to a variety of national laws and regulations, including in respect of data privacy, anti-money laundering and terrorist financing, bribery and corruption, economic sanctions, unfair competition, customer treatment and price fixing, in the jurisdictions that we operate, principally Portugal, Italy, Ireland and the Netherlands . For example:

- In Portugal, we are subject to oversight by the CMVM, with Hefesto being an authorized and supervised entity. While our purchases of non-paying loan portfolios from Portuguese credit institutions are generally not considered to constitute a regulated activity, they, together with our engagement of local agencies, fall under the general rules of the Portuguese Civil Code. In addition, we must comply with the GDPR, and Law no. 41/2004 of August 18, which implements in Portugal the ePrivacy Directive (Directive 2002/58/EC).

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

- In Italy, we operate through Zenith, which is a financial intermediary regulated and supervised by the Bank of Italy, and Parr, now trading as Whitestar Italy. We also need to comply with the Italian data protection legislation and the relevant Italian anti-money laundering regulation, which both incorporate EU-wide legislative requirements.

- In Ireland, through Mars Capital Ireland (acquired as part of the Mars acquisition), we operate as a credit servicing firm and are regulated by the CBI. As a regulated credit servicing firm, we are authorized to manage and administer credit agreements advanced to borrowers, including mortgages secured on properties in Ireland and abroad. We are required to comply with all applicable CBI codes of conduct and applicable data protection regulations, including the GDPR and the Irish Data Protections Acts.

A failure by us, or our agents or assignees, to comply with the applicable legal, regulatory and licensing requirements may, for example, result in the suspension, termination or impairment of our ability to conduct business in the relevant jurisdiction or other sanctions, including fines and public censure.

As we expand potentially into new jurisdictions, 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. Further, due to Brexit, we may be subject to differing sets of rules and regulations in the UK and EU. Being subject to differing regulatory compliance standards in the various jurisdictions in which we operate may increase the costs of regulatory compliance and may lead to adverse outcomes for our business should the demands of the different regulators conflict.

Following the establishment of our Fund and Investment Management business, our fund managers, AGG Capital Management Limited, Norfin and Sagitta, are subject to various laws, regulations and codes of practice applicable to the fund management industry. Failure to comply with such applicable laws, regulations and codes of practice relating to this industry in the applicable jurisdictions could result in substantial losses and the suspension, termination or impairment of our ability to conduct business.

During 2019, we created our Fund and Investment Management business and established AGG Capital Management Limited, a Jersey registered fund manager ("**ACML**" or the "**Fund Manager**"). ACML is the fund manager for our inaugural closed end fund, Arrow Credit Opportunities SCSP, SICAV-RAIF (the "**Fund**") and certain separately managed accounts, with total capital commitments of €1.7 billion (including our investment through a separately managed account).

The Fund is an Alternative Investment Fund within the meaning of Directive 2011/61/EU of June 8, 2011 on Alternative Investment Fund Managers (the "**AIFMD**"). Waystone Management Company (IE) Luxembourg Branch (formerly DMS) has been appointed to act as the partnership's Alternative Investment Fund Manager (the "**AIFM**"). The AIFM is ultimately responsible for, *inter alia*, the risk management, valuation and portfolio management of the Fund, but the AIFM has delegated portfolio management in respect of the Fund to the Fund Manager. The AIFM is authorized and regulated as an alternative investment fund manager by the Central Bank of Ireland under the European Communities (Alternative Investment Fund Managers Directive) regulations 2013.

The Fund Manager is licensed by the JFSC to conduct fund services business pursuant to the Financial Services (Jersey) Law 1998 (as amended, the "**Jersey FS Law**") and is required to comply with the applicable requirements of the Code of Practice for FSB. In order to support the Fund Manager's compliance with the Jersey FS Law and the fund services business codes of practice promulgated thereunder, the Fund Manager is itself managed and administered by Saltgate Limited, a Jersey regulated administrator, which is licensed to act as a Manager of a Managed Entity (such administrator, the "**MoME**").

European Depositary Bank S.A. (the "**Depositary**") has been appointed depositary of the Fund. The Depositary is responsible for the custody and the verification of ownership of any financial instruments of the Fund that are required to be held in custody under the terms of the establishment of the Fund and the Luxembourg Law of July 12, 2013 on Alternative Investment Fund Managers implementing the AIFMD (the "**Luxembourg 2013 Law**"). The Depositary is also responsible for cash monitoring, segregation of the assets and certain additional oversight functions under the Luxembourg 2013 Law.

The other businesses within our Fund and Investment Management business are Europa Investimenti, Sagitta and Norfin. Sagitta is a fund manager regulated and supervised by the Bank of Italy. Norfin is a prominent real estate fund manager operating in Portugal and is regulated to manage undertakings for collective investment in property by CMVM.

There is a risk that one or more entities within the Fund and Investment Management business may not comply or adhere to the applicable laws, regulations and codes of practice

relating to this industry in the applicable jurisdictions and this could result in substantial losses and the suspension, termination or impairment of our ability to conduct business going forward.

We are subject to oversight by, and owe contractual obligations of compliance to, Investment Portfolio Sellers.

Investment Portfolio Sellers and third-party servicing clients typically require oversight and details of our operations, and any additional legal and regulatory requirements that we must take into account by virtue of our contractual obligations could become more stringent, which could result in additional operational costs and may have an adverse effect on our operations. We are subject to ongoing audits and due diligence reviews by Investment Portfolio Sellers and third-party servicing clients to determine our compliance under the relevant contractual obligations, and to assess the adequacy and effectiveness of our services and measures, compliance with applicable laws and regulations and internal controls and management, among other things. More specifically, audits undertaken by Investment Portfolio Sellers and third-party servicing clients tend to focus on our governance, risk management framework, compliance arrangements, oversight of our DCAs and our ongoing fair treatment of customers, including how we handle vulnerable customers, complaints, litigation activity, call handling and our customers' end-to-end journey through different strategies. We are also subject, with increasing frequency, to information security audits. Investment Portfolio Sellers and third-party servicing clients, in particular 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 sales panel or undertake servicing on their behalf. Future reviews could lead to being removed from certain sales panels, which could reduce our ability to purchase loan portfolios, a failure to win or retain asset management and servicing contracts, and otherwise adversely affect our business, results of operations and financial condition.

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

We currently allocate certain of our accounts and certain portfolios to third-party DCAs and other servicers in the jurisdictions in which we operate. As of June 30, 2021, approximately 29% of investments made by the Fund were serviced by third-party servicers. 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 UK Regulated Firms, need to carefully select any third parties with whom they work and, to a certain degree, take responsibility for any compliance violations by such third parties. We may, for example, incur costs in reimbursing customers by reason of violations by DCAs and other third parties that adversely affected such customers. Further, if any such third-party carrying on regulated activities were unable to obtain any necessary regulatory 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 us. See also "*—We would be adversely affected if third parties, including DCAs, law firms and servicers performing servicing and other collections activities on our, the Fund's or future fund's portfolios, perform poorly or fail to comply with applicable laws and regulatory requirements*."

We are subject to voluntary codes of conduct.

We comply, and may have to comply with further industry guidance and voluntary codes of conduct or practice, particularly as many Investment Portfolio Sellers and third-party servicing clients expect us to comply with non-mandatory requirements that have come to be seen as essential, rather than merely "good market practice." The Standards of Lending Practice in the UK (previously the 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 and fund investment and asset management markets, among other things.

Changes to the regulatory environment in the future in the jurisdictions in which we operate or an increasing volume of legislation may materially adversely affect the debt purchase and collection and fund and asset management industries and impede our business and/or increase our costs.

The volume of legislation that is applicable to all of the consumer credit and consumer mortgage servicing, fund and investment management and asset management sectors in the jurisdictions in which we operate has increased in recent years, and this trend may continue or further increase depending on the prevailing political and regulatory environment and attitudes towards these sectors in the jurisdictions in which we operate. Increasingly, the political and regulatory focus is on ensuring that 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.

Other legal and regulatory obligations. In the UK, for example, in addition to the CCA, FSMA, the UTCCR, the CRA and the CPUTR, there are a significant number of other 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, fund and investment management, asset management, accounting standards, taxation requirements, employment and data privacy and protection.

FCA agenda. The FCA set out a list of its key priorities in its annual Business Plan, and for 2021/22, the key priorities will be applicable to the consumer, wholesale and cross-sector markets, respectively. Additionally, and specifically relating to cross-sector markets, the focus will be on: financial resilience, operational resilience, fraud, Environmental, Social and Governance ("**ESG**") initiatives, improving diversity and inclusion and relationships with international regulators and enabling a more sustainable financial future. There is a risk that this, or future, regulatory development, may result in the tightening of UK regulation of, and new restrictions on,

the consumer credit and consumer mortgage servicing markets generally, including in relation to the debt purchase and collection business.

Shorter statutes of limitation. The statute of limitations dictates the amount of time that a business has to commence legal proceedings to enforce payment obligations. Where a right of action has accrued to recover a debt and the person liable or accountable for the claim acknowledges the claim or makes any payment in respect of it, the right of claim is treated as having accrued on the date of acknowledgement or payment, and runs for six years from that date. In 2001, the Law Commission published a report on certain proposed reforms to the Limitations Act 1980 to, among other things, shorten the current statute of limitations period for certain types of claims in England, Wales and Northern Ireland from six years to three years. In the event that the statutory limitation periods were to be reduced in the future, the value of purchased debt on our financial statements could be reduced 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. Although there has been no change to the limitation period for the collection of debts as of the date of this Offering Memorandum, 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 various jurisdictions in which we now operate or may in the future operate.

Changes to commission structures in the UK. Where we outsource some of our collections to our DCA partners in the UK on a largely contingent basis, with DCAs being paid a commission based on collections achieved, any change in laws or regulations restricting or prohibiting this practice of Contingent Collections could cause us to have to change such arrangements with our DCA partners to less variable cost structures, such as fixed fee arrangements. This would increase our fixed cost base, thereby causing Collection Activity and Fund Management Costs (i.e., the direct costs of external collections related to our purchased loan portfolios such as commissions paid to third-party outsourced providers, in-house collection costs, credit bureau data costs and legal costs associated with collections) to rise without necessarily increasing Balance Sheet Cash Collections. Although we are not currently aware of any such proposal in relation to DCAs or other participants in the debt purchase and collection industries, similar restrictions were introduced for independent financial advisers and other firms as part of the FSA's retail distribution review. These firms can no longer earn provider-determined commissions 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 results of operations and financial condition.

Indirect effects. Any changes in the rules and regulations of courts in the jurisdictions in which we operate or may in the future operate, 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 Investment Portfolio Sellers, third-party servicing clients and LP investors in our funds, which impacts us because it

influences the availability and pricing of available investments and servicing opportunities. Regulators require lenders and debt collectors to assess affordability and suitability of products offered to consumers and to exercise "forbearance" in relation to consumer debt, accept low repayment offers and refrain from placing customers under undue pressure in relation to the repayment of debt. Although primarily focused on particular sectors of the market, such as high cost credit or where customers are non-prime or vulnerable, the COVID-19 pandemic has impacted the consumer credit and consumer mortgage servicing markets regarding forbearance more broadly. To the extent that new, or amended, laws or regulations in any jurisdiction in which we operate reduce the return on investments that accrue to investors and/or the profitability of issuing credit and result in lower credit issuance volumes, there could be reduced demand for fund and investment management, asset management and servicing and a reduced supply of portfolios for sale, which could, among other things, lead us to either decrease our fees and lower profitability for us or increase our prices and lower returns on investments.

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 and financial condition.

The ability to obtain, process, 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 and improper disclosure of our clients' sensitive data, consumer data or a breach of data protection laws could negatively affect our reputation, business, results of operations and financial condition.

Our ability to conduct our business, including in relation to pricing 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. We handle and process large amounts of potentially sensitive or confidential information, such as personal information of clients, including names and account numbers, locations, contact information and other account specific data. Our ability to obtain, retain, share and otherwise manage such data is governed by data protection and privacy requirements and regulatory rules and guidance.

GDPR and UK GDPR. The GDPR, and the GDPR as it forms part of the law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 ("**UK GDPR**"), impose a considerable compliance burden on the asset management and debt purchase industries and restricts our ability to use data, including through the requirement for informed opt-in consent by clients to the processing of their personal data, granting clients a "right to be forgotten" (which may give the clients the right to have their data deleted in certain cases), imposing restrictions on taking decisions about individuals based solely on automated processing of their data, imposing disclosure requirements about data sources to our clients and, depending on the breach, imposing a fine for compliance failures of up to 20 million euro under the GDPR and up to 17,500,000 pounds sterling under the UK GDPR, or, in the case of an undertaking, up to 4% of annual global turnover of the preceding fiscal year, whichever is higher. In addition, the GDPR and UK GDPR increases the ability of data subjects to recover substantial damages for breaches of the legislation, and allows representative bodies (such as consumer organizations) to make claims on behalf of

data subjects. We, along with other market participants, have also experienced a significant increase in the number of subject access requests. These changes have and may continue to increase our data protection costs and restrict our ability to conduct our business, which may have a material adverse effect on our results of operations and financial position.

Local regulation.

In addition to the foregoing:

- In the UK, as a debt purchaser, we must comply with the requirements established by the DPA in relation to processing the personal data of our clients, including maintaining the appropriate data protection registrations with the ICO. We may also be penalized if one of the contributors of data to us or if we, as a service provider, were to violate data protection laws or other regulatory requirements.

- In the Netherlands, any personal data we process as a debt purchaser must take place in compliance with the GDPR and the supplementary GDPR implementing act (*Uitvoeringswet Algemene Verordening Gegevensbescherming*, the "**UAVG**"), as applicable, and any relevant regulatory guidance issued by the Dutch Data Protection Authority (*Autoriteit Persoonsgegevens*, the "**AP**") and European Data Protection Board (the "**EDPB**").

- In Portugal, we are required to comply with local law on personal data protection. 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.

- In Italy, we are required to comply with the provisions of the GDPR, as well as Legislative Decree No. 196 of June 30, 2003, as subsequently amended and supplemented from time to time (the Italian Data Protection Code, the "**IDPC**") and the implementing regulations and decisions issued by the Data Protection and Privacy Authority.

- In Ireland, Mars Capital Ireland is required to comply with the GDPR, the Irish Data Protection Acts and any binding guidance and/or codes or practice issued by the Irish Data Protection Commission ("**DPC**") or the EDPB.

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.

Any failure to comply with the foregoing could result in the revocation of our licenses, enforcement notices, monetary fines, criminal charges, breach of contract damages, prohibition on processing personal data, and reputational damage.

We may not be able to prevent the improper disclosure or processing of sensitive information in breach of contract and applicable law. The databases containing client data are vulnerable to damage from a variety of sources, including telecommunications and network failures and natural disasters. The databases are also vulnerable to human acts both by individuals outside of the Group as well as our employees, including fraud, identity theft and other misuse of personal data. Moreover, our systems may be subject to physical or electronic break-ins, computer viruses and similar disruptive problems. Any security or privacy breaches of our data could expose us to liability, increase our expenses relating to resolution of these breaches, harm our reputation and deter clients from conducting business with us. Any material failure to process consumer data in compliance with applicable laws could result in the revocation of our licenses, monetary fines, criminal charges and breach of contractual arrangements.

Any of the foregoing sanctions under local, EU or UK legislation could have a material adverse effect on our business, results of operations or financial condition.

Other Risks Relating to our Operations

Our business, financial condition, cash flows and results of operations have been and may continue to be adversely affected by the COVID-19 pandemic.

In March 2020, the global spread of COVID-19 was characterized as a pandemic by the World Health Organization. The outbreak has resulted in governments and businesses throughout the world implementing numerous measures intended to contain and limit the spread of the COVID-19 virus, including travel bans and restrictions, quarantines, self-isolation, heightened border controls and lockdown orders, business restrictions, shutdowns and other limitations. We sought to protect our employees and moved rapidly to working from home for our employees. The COVID-19 pandemic and related shutdowns or limitations in the operations of certain non-essential businesses have created economic and financial disruptions that have adversely affected, and may continue to adversely affect, our business, results of operations and financial condition. The COVID-19 pandemic has resulted in unprecedented restrictions on individuals and businesses all around the world, and materially impacted the global economy. Despite significant governmental intervention, the COVID-19 pandemic has severely impacted the UK, European and global economies, with considerable uncertainty of the effects that this will have on employment, real estate values and other health and economic factors.

In line with the impacts on many other businesses, the COVID-19 pandemic impacted our cash collections during March 2020 and reduced cash collections to their lowest point in April 2020 as the macroeconomic environment deteriorated. Moreover, lockdown measures were introduced in the countries in which we operate, resulting in court closures and impacting our ability to litigate and operate as normal.

Although an economic recovery is partially underway, it continues to be uneven and characterized by meaningful dispersion across sectors and regions, with uncertainty regarding its ultimate length and trajectory. As such, we remain cautious in our approach to both investment in new portfolio investments and the valuation of our ERC.

The longer the COVID-19 pandemic impacts activity levels in the locations and sectors in which we operate, the more likely it is to have a sustained, material adverse impact on us. In particular, issues with respect to the distribution or adoption of vaccines or the spread of variants of the virus could result in new restrictions being imposed by governments and businesses and lead people to continue to self-isolate and not participate in the economy at pre-COVID-19 pandemic levels for a prolonged period of time. These and other factors may delay a return to ordinary course economic activity before the COVID-19 pandemic, or cause the UK and European economies or other major global economies to experience a recession. As such, the scale and scope of the COVID-19 pandemic may heighten the potential adverse effects on our business, financial performance and operating results, which may be material and affect us in ways that we cannot foresee at this time. Many of the adverse ways in which the COVID-19 pandemic may impact us have already materialized (and may in the future materialize or adversely affect us), including the negative impact on our ERC valuation, the operations of our businesses, our creditors, our counterparties, as well as our customers. The risks from the COVID-19 pandemic, or similar pandemics, may, in the future, become even more significant than is currently the case or than is currently anticipated.

If and when the COVID-19 pandemic subsides, the market turmoil and other changes associated with the COVID-19 pandemic may have lasting effects on our business and operations. The proliferation of remote working may result in long-term changes to market, consumer and workplace practices that could negatively impact us. In addition, consumer practices and demands may permanently, or for an extended period of time, change from what they were prior to the onset of the COVID-19 pandemic. If we fail to adapt investment strategies to these and other changes, this could adversely impact the returns on the Fund's investments and, consequently, our business. Although it is impossible to predict with certainty the potential full magnitude of the business and economic effects, the COVID-19 pandemic has impacted, and may further impact, our business in various ways, including but not limited to:

- Difficult market and economic conditions may adversely impact our customers and/or real estate prices, which, with other impacts, may affect the collections on our and the Fund's portfolios, our ERC valuation, our Asset Management and Servicing third-party clients and revenues, the level investments made by our Fund and Investment Management business and the overall performance of our business.

- The COVID-19 pandemic significantly increases the challenges associated with business planning, strategy, execution, portfolio management, fundraising and other aspects of our business operations. Neither we, the Fund nor our counterparties, suppliers or advisors have previously faced a situation that is comparable to the COVID-19 pandemic which, among other factors, involves a major simultaneous supply and demand shock to global, regional and national economies and significant outsize effects on particular business sectors. The future trajectory of the COVID-19 pandemic is subject to a complex interplay of epidemiological, technological, social, psychological, economic and political factors that are generally beyond our ability to forecast or control. In this environment, historical comparisons may be of little or no value, while the risk and uncertainty associated with a large number of business decisions are materially increased.

- Limitations on travel and social distancing requirements implemented in response to the COVID-19 pandemic challenge our ability to market new funds as anticipated prior to the COVID-19 pandemic, potentially resulting in reduced or delayed revenue. In addition, LP investors may become restricted by their asset allocation policies from investing in new funds that we provide, because these policies often restrict the amount that they are permitted to invest in alternative assets like the strategies employed by the Fund when there is a decline in public equity markets. Further, the COVID-19 pandemic may cause LP investors to change their investment strategies in manners that we cannot foresee, and that may additionally and negatively affect our ability to raise future funds.

- While the market dislocation caused by the COVID-19 pandemic would be expected to present attractive investment opportunities, due to increased volatility in the financial markets, we may not be able to compete for those investments.

- The regulatory response to the COVID-19 pandemic (in the form of government approved legislative moratoria to provide repayment relief to individuals affected by the COVID-19 pandemic, among others), remains uncertain with the real potential for changes in the efficacy of litigation strategies to collect customers' debts. This has the potential to change current ERC valuations, as well as to cause the pricing of unsecured consumer debt to be more difficult and less attractive in the future.

- If the impact of the COVID-19 pandemic continues, we and the Fund may have more limited opportunities to successfully exit existing investments, due to, among other reasons, lower valuations, decreased revenue and earnings, lack of potential buyers with financial resources to pursue an acquisition, or limited or no ability to conduct initial public offerings in equity capital markets, resulting in a reduced ability to realize value from such investments.

- Our DCAs, other servicers and outsource partners have also faced disruption and may face in the future increased credit and liquidity risk due to volatility in financial markets, reduced revenue streams and limited or higher costs of access to funding, which may result in disruption to our business, including but not limited to potential impairment of our investments.

The extent to which the COVID-19 pandemic will continue to adversely affect our business, financial conditions and results of operations will depend on numerous evolving factors that are unpredictable, including, among others: the duration and scope of the COVID-19 pandemic; governmental, business and individual actions that have been and continue to be taken in response to the COVID-19 pandemic; and the impact of the COVID-19 pandemic on global economic activity, unemployment levels and financial markets, including the possibility of a global recession and volatility in the global capital markets which, among other factors, may increase the our cost of capital and adversely impact our access to capital. In addition, we cannot predict the long-term impact that the COVID-19 pandemic will have on our business and the Fund's investments.

Any of the foregoing could have a material adverse effect on our business, revenue, net income and cash flows. Furthermore, the impact of the COVID-19 pandemic may heighten or exacerbate many of the other risks discussed in this section.

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

As of June 30, 2021, our 84-Month ERC originated by Investment Portfolio Sellers in the UK, Portugal, Italy, the Netherlands and Ireland were 36%, 26%, 21%, 15% and 2%. In addition, our Asset Management and Servicing business provides services to third-party clients and our Fund and Investment Management business operates, in these jurisdictions. We are, therefore, exposed to economic, market, fiscal, regulatory, legislative, political and social conditions in the each of the foregoing jurisdictions. Each of the foregoing jurisdictions has experienced recession in the last 10 years.

Improvement in economic conditions in the markets in which we operate could affect our business and performance in various ways, including an increase in collections due to rises in real estate prices, and an increase in the amount of one-off payments and early repayments made by customers. It could also lead to a reduction in the number of attractive portfolio opportunities which are available for us to invest in, and more competitive pricing, as financing becomes more widely available for competitors at a lower cost of funding.

Conversely, sustained effects of prolonged economic weakness, and poor prospects for economic growth, in the markets in which we operate could have various impacts on our business and performance, primarily and as a direct result of the effects of weak economic conditions on our customers. If the global economy suffers a prolonged, material downturn (including as a result of COVID-19) that affects the markets we operate in through, among other things, an increase in the unemployment rate, volatility or decline in real estate prices, increased inflation, the implementation of enhanced austerity measures (such as reduction in the relevant government's provisions of public benefits and/or public sector employment), reduced disposable income, impacting interest rates, and the availability of credit, consumers may be unable or unwilling to continue repaying debt, and we may not be able to collect debt successfully in a manner consistent with our past practice. If our consumers experience a reduced ability or willingness to pay their debt, we could face increased servicing costs and lower average payments, thereby reducing our cash generation and returns on capital, and, in turn, our ERC.

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, a UK based investigation of the mortgage market that was conducted following the 2008 financial crisis. Furthermore, governments in many countries responded to adverse economic conditions by introducing various austerity measures, such as cuts in public benefits and public sector employment. In the UK, this included wide-ranging reform of

the benefits system, including the introduction of a universal credit and a cap on the total amount of benefits that most people of working age can receive.

The effects of factors such as tightened lending standards, the COVID-19 pandemic, and welfare reforms may reduce the propensity of financial institutions to lend to customers, leading to a reduced supply of debt available for purchase, as well as negatively affecting our customers by reducing disposable income levels or otherwise impairing their ability to service payment obligations. The effect may be more pronounced for us given the proportion of the portfolios purchased in the financial services sector.

More recently, we have seen increased inflation, or the potential for increased inflation, that could lead to increased collections given the potential for increased real-estate prices. Increased inflation, however, could also squeeze customers' disposable incomes and/or lead to increased interest rates, both of which would likely be detrimental to our collections performance.

In addition, greater restrictions on international trade could, if implemented, eventually increase costs, decrease margins and reduce the competitiveness of products and services offered by European companies, which could, in turn, adversely affect the economies of the markets in which we operate.

Furthermore, since we invest in portfolios containing real estate assets, any impact from climate change, such as localized flooding, could result in a reduction in the value of the underlying real estate asset, in turn leading to a lower expected collection.

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

Legal, political and economic uncertainty surrounding Brexit and the nature of the future relationship between the UK and the European Union is likely to be a source of instability in international markets, could cause disruption to and create uncertainty surrounding our business and result in new regulatory challenges and costs.

The UK left the European Union on January 31, 2020, but remained in the European Union's customs union and single market for a transitional period that expired on December 31, 2020. On December 24, 2020, the UK and the European Union announced that they had agreed to a new trade and cooperation deal (the "**Trade and Cooperation Agreement**") governing certain aspects of the future relationship between the UK and the European Union. The Trade and Cooperation Agreement applies from January 1, 2021 and provides clarity in respect of the intended shape of the future relationship between the UK and the European Union and some detailed matters of trade and cooperation but does not address substantive future cooperation with respect to financial services or reciprocal market access under so-called "equivalence" arrangements. In addition, UK service suppliers no longer benefit from automatic access to the entire European Union single market and free movement of goods is subject to increased bureaucracy. Although the Trade and Cooperation Agreement contains provisions on short-term business visits without visas or work permits, this does not amount to the free provision of services nor the free movement between the European Union and the UK. The loss of these benefits,

together with the ongoing uncertainty with respect to financial services under the Trade and Cooperation Agreement, could impact the attractiveness of the UK as a global business and financial center. Although the long-term impact of such changes, and of Brexit more broadly, is uncertain, Brexit may have an adverse effect on the rate of economic growth in the UK and the European Union, which may negatively impact asset values in those regions.

Additionally, given the size and global significance of the UK's economy, ongoing uncertainty related to Brexit and the relationship between the UK and the European Union could cause instability in the European Union, UK or worldwide political, regulatory, economic or market conditions. Uncertainty in respect of such conditions could result in the relocation of businesses and people, cause business interruptions, cause currency fluctuations (including in relation to pounds sterling and the Euro), lead to trade restrictions and increases in or the imposition of trade tariffs, lead to economic recession or depression, affect the availability of credit and impact the stability of the financial markets, political systems, financial institutions and the financial and monetary system. By extension, this may adversely affect our ability to source attractive investments in the European Union and may impact the value of our investments that are located in the European Union, or those that conduct business in or derive revenue from the European Union. The uncertainty surrounding the UK's future relationship with the European Union could also adversely affect our funds, including the Fund, the performance of their investments and their ability to source investment opportunities. In addition, Brexit will likely increase our cost of raising capital, and conducting business generally, including the potential to suffer withholding tax and the cost of complying with two, potentially divergent, regimes. Changes in regulation may also impair our ability to recruit, retain and motivate new employees and retain key employees. Moreover, any Brexit-related effects are also likely to be compounded by the effects of the COVID-19 pandemic.

The long-term effects of Brexit will depend on the evolution of any agreements (or lack thereof) that the UK makes to retain access to European Union markets. Brexit is likely to impact the legal rights and obligations of commercial parties across all industries, including the financial services industry. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the UK determines which European Union laws to replace or replicate, which could present new regulatory costs and challenges and could potentially disrupt the markets we serve, our ability to market our products and services to investors or conduct other regulated activity in the European Union. Accordingly, any of the foregoing could have a material adverse effect on our business, results of operations or financial condition.

Terrorist attacks, war and threats of attacks and war may materially and adversely affect consumer spending, and in turn, our financial condition, financial returns and results of operation.

Terrorist attacks in the UK, the Netherlands, Portugal, Italy, Ireland and other countries in which we operate, such as Luxembourg and Jersey, as well as war and threats of war or actual conflicts in these countries, may dramatically and adversely impact the economies of the countries in which we operate and cause consumer confidence, reduction in real estate prices, unemployment and spending to decrease. Any of these occurrences could affect our ability to collect our receivables, provide services to our clients and/or generate returns for us and LP investors in our

Fund and Investment Management business and result in a material adverse effect on our financial condition and results of operation.

Rising interest rates could impair the ability of customers to pay their debts and/or lead to volatility in real estate prices which could have a material adverse effect on our business, results of operations and financial condition.

Since the global credit crisis in 2008, interest rates have remained low and in certain territories are negative. If interest rates rise, this 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, as well as leading to reductions in real estate prices. This could, directly or indirectly, lead to a reduction in customers' disposable income and, as a result, their ability to repay their debts to us. If our customers experience a reduced ability to pay their debts, DCAs and servicers may require higher commissions to address increased Collection Activity and Fund Management Costs, and we could face higher payment plan default rates and lower average payments, which together with lower real estate prices could reduce our cash generation, return on capital and ERC. Even if we are able to develop payment plans in relation to certain of these obligations, such measures may prove unsuccessful. Further, we could more quickly reach a point of saturation with certain customers (i.e., the number of accounts matched to a customer may reach a point at which that customer lacks the financial means to pay on all of the accounts that we own). Even if our efforts were to prove successful in avoiding some defaults, total collections may still decline and/or the timing of receipt of payments may lengthen, any of which would impair our financial condition and materially adversely affect our results of operations. In addition, rising interest rates may increase our financing costs, which may result in our inability to finance portfolio purchases at profitable levels or at all.

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

The availability of portfolios at prices that generate profits for the Fund, future funds and our Balance Sheet business 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 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 portfolios by Investment Portfolio 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 portfolios as a percentage of their face value may not outweigh the potential reputational risks or required management attention associated with selling portfolios;

- negative publicity or a loss of trust in the debt purchase and collection industry and in the financial services 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 Investment Portfolio Sellers have a right to create debt and a right to collect on debt;

- an increase in demand for portfolios among competitors could result in our not being chosen to purchase a portfolio due to more attractive offers from competitors; 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 portfolios available for purchase as debt originators adjust the level of new debt originated to maintain target default levels. Conversely, in a deteriorating economic environment, a high proportion of defaulted consumer debt may be serviced in-house or by DCAs, leaving fewer purchasing opportunities for debt purchasers, such as us, as debt originators' propensity to sell defaulted consumer debt at prices prevailing in the market declines. See "—*Changes in the economic and/or political environment and/or the climate in the markets in which we operate may have a material adverse effect on our business, results of operations and financial condition*."

The impact of macro factors on our business was demonstrated by events in 2009, during which the UK market for defaulted consumer debt sales decreased significantly. 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 portfolios and lower volumes of portfolios being offered by Investment Portfolio 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. Further, the COVID-19 pandemic impacted our cash collections during March 2020 which reduced to their lowest point in April 2020 as the macroeconomic environment deteriorated, and lockdown measures were introduced in the countries in which we operate, resulting in court closures and impacting our ability to litigate and operate as normal.

In addition, Investment Portfolio Sellers may develop technological tools that they believe are more effective in terms of tracing technology and customer profile development. If Investment Portfolio Sellers choose to perform more of their debt collections internally as a result of these data quality improvements or otherwise, the volume of 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

portfolios at prices consistent with our historical return targets. In addition, there could be a reduction in the availability of 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.

Further, regulation may diminish the supply of defaulted debt for sale in the event that debt originators are unable to extend credit to the same extent as they have been able to do historically.

If we are unable to purchase portfolios from Investment Portfolio Sellers at appropriate prices, or if one or more Investment Portfolio 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 prospects, business, results of operations and financial condition may be materially adversely affected.

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

One aspect of our business depends on our ability to purchase, in the ordinary course, portfolios of non-performing debt and non-core assets. Historically, we have funded such purchases through borrowings and cash generated by our operations and capital injections by our shareholders. Our ability to obtain funding from the debt capital markets, our shareholders 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 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 Revolving Facility (or if it is fully drawn), we may be unable to draw down the Revolving Facility or otherwise raise funds on acceptable terms or on a timely basis to portfolio purchases, which in turn may limit our ability to take advantage of opportunities for portfolio purchases arising in the market and/or develop our Fund and Investment Management and Asset Management and Servicing businesses. The Indenture will place, restrictions on our ability to incur indebtedness. If we are unable to borrow, generate or otherwise obtain sufficient funds to purchase portfolios on attractive terms, or at all, when opportunities arise, our business, results of operations and financial condition may be materially adversely affected.

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

Whilst the COVID-19 pandemic is expected to create a strong flow of investment opportunities, there are many active participants in the markets that we operate in and we are currently experiencing highly competitive primary market auction processes. As such, we seek to acquire a substantial portion of our portfolios off-market. Any change in the appetite of Investment Portfolio Sellers to sell portfolios off-market, an increase in competition for off-market purchases and/or our inability to source appropriate levels of off-market trades could reduce the returns that we, and the Fund Manager on behalf of LP investors, can generate. We may also face competition from financial investors. The existence of a national identification system in new markets (such as

continental European countries) could negatively affect the competitive advantage of our data-driven business model, thereby negatively affecting our ability to compete for portfolio purchases in such markets. Our inability or unwillingness to compete on the basis of price (or, if competitors are able to operate more efficiently or at greater scale), could have a material adverse effect on our prospects, business, results of operations and financial condition.

We may be unable to acquire the level or type of portfolios that we expect or have historically acquired following the development of our Fund and Investment Management business.

Since the launch of the Fund, our investments have typically been made through a 25% co-investment alongside the Fund through our 100% owned Jersey partnership, Arrow SMA. It is our intention that for future funds, our level of co-investment may decrease from the current 25% to approximately 10% as we reduce our investment in the more capital intensive Balance Sheet business and grow our capital-light revenues through the development of our Fund and Investment Management and our Asset Management and Servicing businesses.

In the event that the Fund Manager is unable to acquire the expected level of portfolios, then the investment by Arrow SMA will be below our expectations, resulting in lower revenue and collections than anticipated.

Furthermore, there is a risk that the type and characteristics of portfolios acquired by the Fund Manager have different characteristics from portfolios acquired before the development of our Fund and Investment Management business. The attractiveness of a portfolio for LP investors, and hence the Fund or future funds (which could potentially be structured differently than the Fund), may be different from Arrow SMA. For example, the Fund and future funds may have a different appetite for minimum target returns and/or a smooth collections profile. Our inability to acquire the level or type of portfolios that we expect or have historically acquired could have a material adverse effect on our prospects, business, results of operations and financial condition.

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

We operate in markets that are competitive. We face competition from new and existing purchasers of portfolios as well as fund and asset managers. We purchase a broad range of portfolios and often these portfolios are acquired through an off-market sales process. Our origination capabilities to source such portfolio acquisitions is an important competitive advantage. In the future, our current competitors and any new competitors may have or may in the future develop substantially greater origination, underwriting, 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.

Our Asset Management and Servicing business supports our investment in portfolio acquisitions made by our Balance Sheet business and by our Fund and Investment Management business. However, certain competitors have more significant debt collection businesses, in addition to operations involving the purchase of portfolios. These competitors may be able to service portfolios more efficiently and/or offer originators a “bundle” of services, or they may be

able to better use the consumer data to help them price 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 in certain segments of the market.

We may not be able to maintain the synergies, or the advantages in tracing technology, customer profile development or low Collection Activity and Fund Management Costs or asset management 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, alongside the Fund and future funds, may be unable to access, and be successful in, competitive sale processes for portfolios and/or viable investment assets, which could have a material adverse effect on our prospects, business, results of operations and financial condition.

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

We purchase, either directly for our Balance Sheet business or on behalf of LP investors, portfolios of defaulted debt and other non-core assets, which often consist of a substantial number of accounts without contact details for which the Investment Portfolio Seller has made numerous (unsuccessful) attempts to collect. Such debt may subsequently be deemed uncollectable and written off. Our purchased portfolios include both Paying Accounts, which consist of accounts that have shown at least one payment over the preceding three months or at least two payments over the preceding six months, and non-Paying Accounts, which may be higher risk and have less predictable cash flows than Paying Accounts, as well as real estate and/or other assets, such as cash in court or tax credits. Although we estimate that the recoveries on our purchased 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. Any condition or development that causes these portfolios to lose value, such as a decrease in expected collections or a reduction in secured asset values leading to lower collections, will have a material adverse effect on our business, results of operations and financial condition.

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

If the cash flows from our Existing Portfolios (and the portfolios we purchase in the future) are less than anticipated, we may have difficulty servicing our indebtedness and may be unable to purchase new portfolios that we would like to purchase. In addition, returns to LP investors of the Fund or future funds may be impacted, resulting in limited or no performance fee income from the Fund or future funds and an inability to successfully raise commitments from LP investors for future funds. As a result, our future growth, business, results of operations and financial condition could be materially adversely affected.

The statistical models and analytical tools we use in our business, including in our calculation of ERC and Net Deal IRR, 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 portfolios, our ERC and our Net Deal IRR. However, at the time of purchase, we are likely to have imperfect information about the precise age of the receivables, the ability of the customer to pay, the valuation of real estate assets, the time at which the customer will pay or the real estate will be disposed of and the cost required to service and collect on such debts/assets and it may take several years for us to recoup the original purchase price of our investment in portfolios. Moreover, information based on historical market behavior and statistic-based historical models may not accurately predict, or be indicative of, the characteristics of subsequent portfolios purchased from the same Investment Portfolio Seller or the same industry due to changes in business practices or economic developments. In addition, if we purchase types of portfolios with which we have limited experience, or purchase portfolios in geographies in which we have no prior experience, or from Investment Portfolio Sellers with whom we have had no prior dealings, our ability to properly price and to collect on such portfolios may be adversely affected.

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. These models, together with our local expertise, external or desktop valuations for secured assets and our assessment of recoverability for certain assets, are used within the business to formulate the ERC, which is a key input to the valuation of portfolio investments held on the balance sheet. These models also use an assessment of the economic conditions and future actual collections performance may be different from the modelled ERC.

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

Any of the foregoing may have a material adverse effect on our business, results of operations and financial condition. For further details, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*."

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 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. For example, Focum in the Netherlands provides customer information to minimize credit and payment risks for businesses. Any loss of access to the use of such data would impact the reliability of our models and/or our platforms. Additionally, we could lose a significant competitive advantage and our business could be negatively affected if:

- any third-party sources were to stop providing this data for any reason, including a change in laws or regulations, or considerably raise the price of their services;

- any of the proprietary information or data that we use were to become public, including as a result of a change in law or regulation;

- the UK or other jurisdictions were to introduce measures that have the effect of facilitating the tracing of consumers (such as a national identification system which, unlike the national insurance number system, is accessible as part of the credit process); or

- the current data processing restrictions were to change such that credit market participants could access credit bureau data before the purchase of portfolios.

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 prospects, business, results of operations and financial condition could be materially adversely affected.

Further, if our competitors, Investment Portfolio Sellers or other third parties create similar or more effective data sharing platforms, we may lose some or all of our data advantage. Any data analytics tools developed by third parties or competitors could improve the quality of data available to Investment Portfolio 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 portfolios for purchase.

Any of the foregoing could have a material adverse effect on our business, results of operations and financial condition, including an impact on the ability to develop our Fund and Investment Management business.

We may not succeed in growing our Fund and Investment Management business revenue, and Asset Management and Servicing business revenue and/or such revenue sources may become less profitable.

Our Fund and Investment Management and Asset Management and Servicing businesses may not generate the levels of revenue we anticipate. Our growth strategy involves building a scalable and sustainable Fund and Investment Management business that enables us to co-invest through our Balance Sheet business and service the acquired portfolios, along with other third-parties, through our Asset Management and Servicing business. As such, we face numerous risks and uncertainties in connection with the different aspects of our growth strategy. For example:

- performance, and in particular the returns generated by the Fund or future funds, may be lower than anticipated and may impact the ability to raise further funding from LP investors;
- diminished appetite from LP investors to commit further funding to future funds due to factors including, but not limited to, our reputation, the regulatory environment, the macro-economic environment, performance of competitors and other fund managers, retention of key employees, operational issues and our performance, which could ultimately impact our ability to raise future funds;
- weaker collections performance may impact the available cash to re-invest in new portfolios;
- management may be unable to provide sufficient focus to all three businesses to enable each to grow in line with our plans, particularly if there are external factors that disrupt our businesses;
- competition from established players in the relevant market or sector may impact our ability to acquire new third-party asset and management servicing contracts;
- changes or increases to the regulatory environment may disrupt our current plans, leading to increased costs; and
- investment opportunities may be serviced more effectively and/or efficiently by a third-party servicer and, as such, the level of servicing contracts on our Asset Management and Servicing platforms may be lower than anticipated and/or affect the viability of a platform in a particular jurisdiction.

In addition, our Asset Management and Servicing business relies upon third-party servicing contracts. We have increasingly seen opportunities from debt originators, driven in part, by the impact of the COVID-19 pandemic, to seek asset management and servicing activity from our platforms. Any failure to win new contracts and/or retain existing clients may affect the growth,

profitability and/or the viability of a platform in a certain jurisdiction. Further, certain contracts may include multiple activities, some of which may be more profitable than others. In the event that the scope of servicing contracts was amended to remove the most profitable activities, then certain servicing contracts, on renewal, may be less or no longer profitable.

Any failure to meet or exceed our growth plans and/or the development of new initiatives could lead to our failure to reach our expected profitability levels, to achieve lower growth than forecast and/or not being able to enjoy the benefits that such growth strategy is expected to lead to. Any of the above may have a material adverse effect on our business, results of operations and financial condition.

We may be unable to continue to perform our duties as a fund manager and may be unable to raise future funds from third-party LP investors, limiting our ability to grow and decreasing our income from management and performance fees.

Our ability to continue in our role as asset manager and to raise further funds from third-party LP investors depends on a number of factors, which include but are not limited to the following:

- The termination of a limited partnership agreement with an LP could result in the removal of the Fund Manager and/or the general partner of the Fund or future funds and adversely affect our reputation and the ability to generate management and performance fees. There are a range of customary termination events for arrangements of this nature in our limited partnership agreements that grant certain governance and decision making rights to LPs, including a right to remove the general partner in various circumstances;

- A failure to achieve returns above certain targets would restrict the Fund Manager's ability to generate performance fees, which are often referred to as carried interest. The failure to achieve the targeted returns could be as a result of many factors, including but not limited to, the collections performance of the portfolios, costs incurred with servicing such portfolios, macro-economic challenges, the competitive environment and operational challenges;

- The Fund Manager may be restricted from pursuing certain investment opportunities due to restrictions within the mandate it has from LP investors or concentration limits stipulated by the relevant fund agreement. A failure to be able to take advantage of such opportunities may restrict the returns that the Fund Manager can generate and, thereby reduce the overall fees that we can generate; and

- The appetite of LP investors, general availability of funds in the market, our investment track record and competitor fundraising activity may impact the ability of the Fund Manager to raise additional funds in due course. The ability to raise further funds under management is central to our strategy and any failure would have financial consequences to our performance.

The vertical alignment of our local platforms under a fund management framework may not prove successful.

We plan to vertically align our local investment strategies under a fund management framework with the view to engender accountability of local business leaders and to drive efficiency gains in our local operations. Our ultimate goal is to eliminate dual-layer costs and ensure cost savings through removal of duplicate central functions. There can be no assurance that we will be able to achieve such cost savings. See "*Business—Cost Structure Development and Cost Saving Opportunities*," "*Risk Factors—Risks Relating to the Transactions—This Offering Memorandum includes forward-looking statements, certain targets and assumptions in forecasts that involve risks and uncertainties*" and "*Risk Factors—Risks Relating to the Transactions—We have included in this Offering Memorandum certain unaudited adjusted data, and other financial information not prepared in accordance with IFRS.*" The movement away from the standard horizontal alignment of our local platforms, under the One Arrow model, towards the vertical alignment of our local platforms, may not realize the cost reductions, synergies, accountability or efficiencies that we are targeting. Additionally, the decentralization of certain of our functions and the transferal of such functions to our local operations could adversely impact the synergy among our local operations. The unsuccessful implementation of the vertical alignment under a fund management model could have a material adverse effect on our prospects and results of operations.

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

We rely on key relationships with Investment Portfolio Sellers, DCAs, other servicers, 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 or other non-core assets available for purchase on acceptable terms from any of our principal Investment Portfolio Sellers would force us to seek alternative sources of debt/assets to purchase. In addition to the factors that impact the supply of portfolios generally, Investment Portfolio Sellers with whom we have strategic relationships may not continue to sell portfolios to us on desirable terms or in acceptable quantities, and we may not be able to replace such purchases with purchases from other Investment Portfolio Sellers. An Investment Portfolio Seller's decision to sell debt/assets to us is based on various factors, including the price and terms offered and our reputation, scale, track record of completed transactions and compliance history. The loss of a key relationship with an Investment Portfolio Seller could jeopardize our existing relationships with other Investment Portfolio Sellers or our ability to establish new relationships with other Investment Portfolio Sellers. We may be unable to find alternative sources from which to purchase portfolios and, even if such purchases could be successfully replaced, the search could take time or the debt/assets could be of lower quality or higher cost, any of which could materially adversely affect our business, results of operations and financial condition.

Whilst much of the servicing is undertaken by our servicing platforms, we rely on our relationships with DCAs and other external servicers to conduct our business. We may lose a key DCA/servicer relationship for a number of reasons, including as a result of an acquisition by one of our competitors or the financial failure of a DCA/servicer. This could further increase our dependence on our remaining key relationships.

We also rely on 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 and the loss of IT support could have a material adverse effect on our business and results of operations. See "*—Our operations are highly dependent upon access to, and the functioning and security of, IT applications, systems and infrastructure. A cyber-attack within the business or through the supply chain that impacts systems, processes, or data, compromising the confidentiality, integrity or availability could result in financial losses, regulatory sanctions, and reputational damage*."

Moreover, if any of our significant Investment Portfolio Sellers, DCAs, other servicers, 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, results of operations and financial condition could be materially adversely affected.

We would be adversely affected if third parties, including DCAs, law firms and servicers performing servicing and other collections activities on our, the Fund's or future funds' portfolios, perform poorly or fail to comply with applicable laws and regulatory requirements.

We rely on our third-party service providers, DCAs, external valuers, asset managers and law firms to direct collection activities, servicing and asset management activities, to ensure compliance, and to prepare forecasted collection estimates in connection with our, the Fund's and future funds' portfolios. The development of our Fund and Investment Management business has increased the reliance that we place on a number of counterparties, such as the MoME and the Depositary. We rely on these third parties to effectively manage collection operations, undertake aspects of our Fund and Investment Management business, preserve a variable cost structure and to meet our servicing needs efficiently, but these third parties may not have the resources, employee training or management experience that we require. 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 and portfolios that we or the Fund Manager 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. Also, if any third-party carrying on regulated activities (including the DCAs and other servicers with which we do business) were unable to obtain regulatory 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.

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 UK Regulated Firms, 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 or other servicers to comply with UK data protection requirements. We may also suffer losses pursuant to

our agreements with Investment Portfolio 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.

In addition, a financially weak DCA or other servicer may be unable to continue to fund collection 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 or other servicers, may not result in anticipated benefits. If one or more of our DCAs or other servicers, such as IT suppliers or credit data providers, 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 or other servicer.

Although we may select DCAs and other servicers based on prior relative performance, there is no guarantee of future performance, and any underperformance on the part of DCAs, other servicers and other counterparties, whether as a result of failing to meet the financial targets required by us or otherwise, could materially 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 adversely affect our business.

We have experienced significant growth in our business and launched our inaugural fund in late 2019. Our 84-Month ERC grew to £1.5 billion as of June 30, 2021 from £1.0 billion as of December 31, 2015. Future growth and the development of our Fund and Investment Management business, among other things, could place a strain on our resources, including but not limited to resources in our portfolio pricing, origination, change management, information technology, tax, legal, finance and accounting and other departments, as well as require the expansion of our procedures for monitoring internal accounting functions, risk management and continued compliance with regulatory requirements and our reporting obligations. Our expansion within markets or to new markets will require additional investment of both financial and management resources to ensure that the business performs as a single enterprise and that the oversight and monitoring processes are applied consistently in all locations. Any resulting growth of our employee base may also increase our need for internal audit, training and monitoring processes that are more extensive and broader in scope than those that we have historically required. Failure to manage our growth effectively could have a material adverse effect on our prospects and results of operations. See also "—*We may make acquisitions or pursue joint ventures, business combinations or other investments that prove unsuccessful or strain or divert our resources*."

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

In addition to our acquisition of portfolios in the ordinary course, we may seek to grow our business by acquiring or combining with other businesses through purchases of either assets or corporate entities, as we have with the acquisitions of businesses such as Zenith, Whitestar, Capquest and Europa Investimenti. For further details of the key acquisitions we have made, see

"*Business—Our History and Development*." 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 adversely affect our results of operations. Acquisitions of businesses that operate in jurisdictions other than the jurisdictions in which we operate 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 Investment Portfolio Sellers under the sale and purchase documentation.

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

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

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

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

We may also choose to enter into joint ventures, business alliances or consortia to acquire assets or other types of investments (whether under instruments, participations or sub-participations, a total return or pass-through contracts or any other similar arrangements), which could involve the same or similar risks and uncertainties as are involved in acquisitions of control. Moreover, to the extent we subsequently increase our level of participation or acquire 100% of the

interests in the assets of any of these joint ventures, business alliances or consortia, we may be required to pay deferred consideration.

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

Companies that we have acquired, are in the process of acquiring or may acquire in the future may have liabilities that are not known to us that could subject us to liabilities or contingent liabilities that could otherwise have an adverse impact on us, and the indemnity the sellers have agreed to provide may not compensate us in full or at all.

We acquired Parr (now trading as Whitestar Italy) and Europa Investimenti on March 1, 2018 and September 14, 2018, respectively and assumed all of their liabilities. As a result, we are and would be required to bear the costs of contingent or other liabilities of each of the Italian targets. Such liabilities could specifically arise, for example if key customers brought claims against these entities under their respective contracts.

As part of each of the Vesting acquisition, the Parr acquisition, the Europa Investimenti acquisition and the Drydens acquisition, the sellers have provided customary warranties and indemnities with respect to certain costs and losses that we may incur as a result of these acquisitions. However, the warranty and indemnity coverage provided is subject to a cap, is limited in duration and does not cover all losses that we may incur. Consequently, we may be exposed to certain liabilities for which we will not be entitled to recover for breach of warranty and/or indemnification, or the warranties and indemnities the sellers provided may be insufficient to compensate us for these liabilities. Such losses would need to be borne by us. There may also be contingent or other liabilities unknown to us that we assumed as a result of the acquisitions.

Our operations are highly dependent upon access to, and the functioning and security of, IT applications, systems and infrastructure. A cyber-attack within the business or through the supply chain that impacts systems, processes, or data, compromising the confidentiality, integrity or availability could result in financial losses, regulatory sanctions, and reputational damage.

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

Our information systems could be adversely affected by events outside our control, including, without limitation, terrorist acts, natural disasters, telecommunications and network failures and power losses. Our computer systems, our data stored on third-party servers or applications by means of "cloud computing," our software and our networks may be vulnerable to unauthorized access (from within our organization or by third parties), computer viruses or other malicious code and other cyber threats that could have a security impact. Cyber-attacks, in particular, have become far more prevalent in the past few years, leading potentially to the theft or manipulation of confidential and proprietary information or loss of access to, or destruction of, data on systems. If one or more of such events were to occur in respect of our systems, our data, our software or our networks, it potentially could jeopardize our confidential and other information processed and stored in, and transmitted through, our computer systems and networks or third-party platforms, or otherwise cause interruptions or malfunctions in our operations.

Remote working environments are less secure and more susceptible to hacking attacks, including phishing and social engineering attempts that seek to exploit the COVID-19 pandemic. Continued remote working by our employees could strain our technology resources and introduce operational risks, including heightened cyber security risks. In addition, if a natural disaster, power outage, connectivity issue or other event occurs that impacts the ability of our employees to work remotely, it may be difficult or, in certain cases, impossible for us to continue business for a substantial period of time. Moreover, third party service providers on whom we have become increasingly reliant for certain aspects of our business, including for certain information systems, technology and the administration of certain funds, could be impacted by an inability to perform due to COVID-19 related restrictions or by failures of, or attacks on, their information systems and technology.

Any material disruption to, or failure of, our systems, the systems of our third-party service providers or the systems of the banking and other sectors that are integral to our businesses, especially if it also impacts our backup or disaster recovery systems, would disrupt our operations and materially adversely affect our businesses. Any temporary or permanent loss of our ability to use computer equipment and software systems, or any disruption to or loss of data could disrupt our operations, result in increased capital expenditure and insurance and operating costs, cause us to suffer a competitive disadvantage and materially adversely affect our business, results of operations and financial condition. Any security or privacy breach of our systems could expose us to liability, increase expenses relating to the resolution of these breaches, harm our reputation and deter LP investors from investing in future funds and Investment Portfolio Sellers from selling portfolios to us. We could be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures.

Regulators are focused on promoting the protection of customer/client information and the integrity of information technology systems of regulated firms. Our continued regulatory authorization is partially dependent on the adequacy of our IT systems and controls.

Additionally, computer and telecommunications technologies are evolving rapidly and are characterized by short product life cycles. We continually upgrade our IT systems to ensure that our IT infrastructure continues to deliver appropriate flexibility, control, resilience and cost effectiveness. The change process, as well as the management of data, may result in technical or operational difficulties that may require us to remedy problems that arise, which could require

substantial expenditure, time and other resources. We may not be successful in anticipating, managing or adopting technological changes on a timely basis, which could reduce our profitability or disrupt our operations and harm our business. While we believe that our existing information systems are sufficient to meet our 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 cannot ensure you that adequate capital resources will be available to us when we need to make such investments.

As part of providing asset management services to our third-party clients, we may be required to build new servicing platforms, enhance our existing servicing platforms and make improvements to our IT infrastructure that may result in technical and operational difficulties that, among other things, cause expenditure overruns against budget and delays that may have a material adverse effect on our financial condition 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 may also have certain employees that possess important, undocumented knowledge of our systems. If any such employee no longer worked for us, our ability to maintain, repair or modify our data analytics systems and platforms may be limited.

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

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.

Our IT infrastructure is built to provide flexibility, control, resilience and cost effectiveness and we operate a Microsoft first, cloud-based / virtualized approach. As such, we outsource certain IT applications and infrastructure, including hosting, back-up, data storage, network services and other services to third-party service providers. 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, results of operations and financial condition may be materially adversely affected.

We may not be able to successfully anticipate, manage or adopt technological changes within the debt purchase, fund and asset management and the financial services industries.

We may not be successful in anticipating, managing or adopting technological changes within the debt purchase, fund and asset management and financial services industries on a timely basis, which could reduce profitability or disrupt operations and harm our business. While we believe that our existing information systems and infrastructure are sufficient to meet current demands and continued expansion, our future growth may require additional investment in these systems. In particular, the development of our Fund and Investment Management business is likely

to require additional IT systems and infrastructure as it grows. We depend on having the capital resources necessary to invest in new technologies to acquire and service our 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, results of operations and financial condition may be materially adversely affected.

The need to adapt to customers' changing circumstances and changes to real-estate markets may result in increased Collection Activity and Fund Management 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 for us or on the part of our DCA partners, which may lead to higher commission rates for collecting on accounts, and reduce portfolio returns. Such reduced collections would negatively impact our ERC, while higher 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, results of operations and financial condition may be materially 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 and, in the event that our account is unsecured, then we may be unable to collect on such customer accounts. The ability to successfully collect on our portfolios may decline with an increase in personal insolvency procedures or a change in insolvency laws, regulations, practices or procedures.

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

In addition, pursuant to the Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020, customers resident in England or Wales may apply for a moratorium of up to 60 days in certain circumstances (broadly speaking, where they are unable to pay their debts as they fall due and are seeking professional advice with a view to finding an appropriate debt solution). Customers may apply for a separate, longer moratorium if they are receiving mental health crisis treatment (lasting as long as the treatment period plus 30 days). In either case, if a customer's application for a moratorium is successful, our

ability to collect on the relevant account may be limited during the relevant period as (unless the relevant debt falls into certain excluded types of debt) we would be unable to take enforcement action or require a customer to pay any interest, fees, penalties and charges that would otherwise accrue during the period.

Furthermore, we, and the Fund Manager on behalf of the Fund and future funds, purchase a broad range of non-performing and non-core portfolios that contain a range of assets, including but not limited to unsecured consumer debt, secured consumer debt, other secured debt, real-estate assets and commercial assets. In the event that there are changes affecting the realization of these assets, for example due to changes in real-estate prices, then the collections expected on the portfolio may be lower than our own projections when we purchased such portfolios and our business, results of operations and financial condition could be materially adversely affected.

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

Debt and other types of portfolios do not become available for purchase on a consistent basis during the year. Accordingly, there may be times when a number of portfolios, or particularly large portfolios, become available for purchase concurrently, which may prevent us or the Fund Manager on behalf of the Fund or future funds, from pursuing all of the purchase opportunities.

The inconsistency in the availability of portfolios for purchase may mean that during certain financial reporting periods we may make few or no purchases of portfolios. This is exacerbated with the development of the Fund and Investment Management business since our Balance Sheet business typically only acquires a 25% interest in the portfolio. In addition, large purchases at the end of a financial period would likely have a material and adverse effect on our reported financial ratios. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Results of Operations—Seasonality*."

In addition, there are several reasons why the cash flows generated from portfolios may be uneven. As we purchase a broad range of portfolios, some of which may comprise a portion or entirely of real-estate assets, then the collection on such portfolios may be realized only when the asset is sold. In some circumstances, the collection will be maximized by incurring capital expenditure before sale and therefore, the time to realize a collection can be uncertain. Furthermore, we, and the Fund Manager on behalf of the Fund and future funds, acquire and may acquire portfolios with an uneven collections profile. For example, we have acquired a portfolio, which represents a minority interest in a lending business in the Netherlands, where the final collection represents the disposal of the underlying business and, as such, generates an uneven cash flow profile.

Also, there can be a gap between the time of acquisition of a portfolio and the time that we begin earning collections and/or returns on the acquired portfolio, as we may need to locate customers, build a consolidated profile of each such customer's circumstances, incur capital expenditure on real-estate assets and/or formulate an appropriate repayment solution or collection strategy 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 portfolios as they become available on acceptable terms or at all.*"

Errors in our collection process or other operational matters could have a negative effect on our business and reputation.

Our ability to collect debt and realize collections, such as through the disposal of a real-estate asset, according to the correct contractual terms and to treat consumers fairly is critical to our business and our reputation. Our reputation is fundamental to maintaining our relationships with current and potential Investment Portfolio Sellers and clients, LP investors, other stakeholders, such as banks and bondholders, and regulators. The following events, among others, may have a negative effect on our reputation and/or our financial results: negative media publicity relating either to us or the wider debt purchase and collection industry, allegations of unethical or improper behavior by us or our third-party DCAs or other servicers, our inability to collect debt on an accurate and timely basis, our failure to respect and treat consumers fairly, failures in our collection and data protection processes, IT platforms, including IT security failure or other operational issues, failures by our fund managers to meet the obligations due to LP investors, litigation, regulatory restrictions, investigations, fines or enforcement actions.

The collection of debt involves interpretations of contractual terms that may vary by debt originator, which may impact the calculation of consumers' resulting payment obligations and the collection strategies we employ. The inherent complexity of debt calculation and historical inaccuracies may result in our failure to choose the appropriate collection strategies and could lead to incorrect payment calculations in the future.

In addition, our co-investment and strategic partnership arrangements expose us to reputational and other risks related to the actions of the co-investors and partners, over whom we have no control.

Any of the foregoing events could result in financial liability or reputational damage, could jeopardize our relationships with our clients and our ability to establish new client relationships, impact our ability to raise further funds to support the development of our Fund and Investment Management business, have a negative impact on a consumer's willingness to pay a debt owed to us or to our clients, diminish our attractiveness as a counterparty or lead to increased regulation of the debt purchase and collection industry, each of which could have a material adverse effect on our business, results of operations and financial condition.

Negative attention and news regarding the debt purchase and collection industry and individual debt purchasers or collectors, including us and our Fund and Investment Management and Asset Management and Servicing businesses, 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 Investment Portfolio Sellers and other third parties.

Negative publicity about us, our industry or other industry participants could 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. Publicity could originate from any of the following:

- 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, including in relation to our Fund and Investment Management and Asset Management and Servicing businesses;

- the internet has websites where consumers list their concerns about the activities of debt collectors and seek online guidance from others on how to react to collection efforts mostly in the UK. These websites provide consumers with legal forms and other strategies to frustrate collection efforts and to try to avoid their obligations. To the extent that these forms and strategies are based upon erroneous legal information, the cost of collections may increase; and

- consumer "blog" sites and claims management companies are common in certain jurisdictions that we operate 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 our being named in published industry complaint data sites, our receiving negative attention due to internal disputes, including disputes with former employees, negative publicity in relation to our Fund and Investment Management or Asset Management and Servicing businesses, or any of our third-party DCA or other service partners having been alleged to, or having been found to, have violated the law or regulatory requirements or acted inappropriately in their conduct of business. As consumer awareness continues to increase, there may be an increase in the level of complaints. Any such negative publicity could jeopardize our existing relationships with Investment Portfolio Sellers or our ability to establish new relationships with other Investment Portfolio Sellers or impact our ability to raise further funds from LP investors in support of the development of our Fund and Investment Management business or diminish our attractiveness as a counterparty generally. Additionally, we are, and may in the future be, contractually required to reassign portfolios if a portfolio attracts negative media attention towards an Investment Portfolio Seller. Negative publicity could also result from media interest in the actions or behavior of any of our directors or senior management. Any of the foregoing could impact our ability to purchase portfolios, our ability to collect on the portfolios that we purchase, or our relationships with regulators, Investment Portfolio Sellers, DCAs, other servicers, our clients, our LP investors, our stakeholders or other market participants, and may materially adversely affect business, results of operations and financial condition.

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 adversely affect our business, prospects, financial condition and results of operations.

As part of the Acquisition, we have undertaken certain changes to the Board and senior management of the Group. The loss of the services of one or more of our key management team members, including Zachary Lewy (chief executive officer ("**CEO**")), John Calvao (Fund Principal) and Philip Shepherd (chief commercial officer ("**CCO**")) or any of our other key employees, could disrupt our operations. Further, a strategic review is being undertaken, which may result in further changes to the business, which may include changes to the organizational structure, the committee structure and / or the governance framework. Following re-registration of the Target as a private company, there may also be further changes to its organizational framework, management and governance structure. See "*Management*." There can be no assurance that we will be able to successfully implement such changes in our management and organizational structure. Any such changes may also result in the disruption of our business and operations.

Some of the employment agreements that we have in place contain non-compete and confidentiality provisions that survive termination of employment. However, these agreements do not and will not assure the continued services of the senior management team members and key employees and we may not be able to enforce such non-compete and confidentiality provisions. Senior management team members maintain strong relationships with a number of the largest UK and European Investment Portfolio Sellers, as well as LP investors. The development of our Fund and Investment Management business increasingly relies on certain individuals within the Fund Manager. 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 UK regulatory Senior Managers and Certification Regime, for example, certain individuals are required to obtain FCA approval to carry on specified functions within the UK Regulated Firms (including, for example, the roles of the Chief Financial Officer ("**CFO**") and executive and non-executive directors). If a person seeking to perform a senior management function (as defined in "*Regulation and Compliance—Regulatory Framework—United Kingdom—Senior Managers and Certification Regime*") is unable to gain approval from, or subsequently has his or her approval withdrawn by, the FCA, he or she would be unable to perform, or continue to perform, the senior management function in question and a suitable replacement would need to be found and would need to be approved by the FCA for that role. See "*Regulation and Compliance—Regulatory Framework—United Kingdom—Senior Managers and Certification Regime*."

Increases in labor costs, potential labor disputes and work stoppages could negatively affect our business.

Our financial performance is affected by the cost of labor. As of December 31, 2020, we had approximately 2,500 full time equivalent employees. An increased demand for our employees from debt collection competitors or other fund managers could increase costs associated with employee compensation, which could have a material adverse effect on our business, financial condition and results of operations.

Any labor relations disputes or work stoppages and/or strikes could disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. Our Dutch employees have established a company works council and, as such, are consulted regarding certain business decisions that impact employees.

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

A portion of our collections is achieved through litigation. Accordingly, a portion of our future collections will be dependent on success in individual lawsuits or court actions in the jurisdictions that we operate. When we commence collection actions through legal proceedings, courts may require legal agreements, documentation, such as 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 such legal agreements or account documents when required to do so, the account may be legally unenforceable and/or the court may not find in our favor. Furthermore, if any of the legal agreements or 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 Investment Portfolio 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 Investment Portfolio 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, results of operations and financial condition. For example, the Pre-Action Protocol for Debt Claims ("**Debt Claims Protocol**"), which came into effect in the UK on October 1, 2017, has presented practical issues

for us and the debt collection and debt purchase industry more widely as it limits the circumstances in which proceedings may be commenced.

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

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

In the normal course of our 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 Investment Portfolio Seller for payment or replacement. Such Investment Portfolio 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 Investment Portfolio Seller. Contracts entered into with Investment Portfolio 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 for return and which are not and the time period in which they must be returned to the vendor. 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. For example, the CCA and CONC contain detailed and, in some cases, prescribed requirements relating to the form, content and execution of regulated credit agreements as well as the pre-contractual and post-contractual obligations, including disclosure and documentary requirements (similar obligations are set out in MCOB in respect of regulated mortgage contracts). Non-compliance with some or all of these requirements may, for example, render customer agreements unenforceable against the borrower and result in there being no obligation on the borrower to pay interest and charges during the period of non-compliance, and may also require interest and charges that have already been collected to be refunded, in addition to potentially giving rise to regulatory enforcement action.

A technical breach of some of these requirements may render the customer agreement (i.e., the underlying 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 internal controls we have in place to detect fraud and errors may fail. 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 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 Investment Portfolio Seller has been in compliance in connection with the underlying accounts at a sufficiently early stage. This could lead to adverse accounting and financial consequences, such as the need to make substantial provisions against the acquired assets or to write down acquired assets.

We may not be able to collect on a portfolio to which someone else held legal ownership or would need to spend time and resources establishing our own legal ownership of the portfolio if such ownership was unclear. If we are unable to provide appropriate and valid documentation to confirm our ownership of real-estate or there are additional claims on the real-estate asset, then the collection expected from the disposal of the asset may be delayed or reduced against our expectation. Similarly, if we are unable to produce account documents (which under our different purchase agreements may remain in the custody of the vendor unless requested by us) and account statements in response to a customer's request, that account could be legally unenforceable until such time when these documents are produced. Furthermore, if any of the account documents we do have were found to be legally unenforceable, courts may deny our claims. 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 Investment Portfolio Seller. Additionally, in such instances, we may be contractually required to repurchase accounts that we have subsequently sold to third parties.

Any changes to laws, regulations or rules or vendor approach in relation to customer treatment that affect the manner in which we initiate enforcement proceedings, including rules affecting documentation, 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. Additionally, our ability to collect by means other than legal proceedings may be impacted by laws that require that certain types of account documentation be in our possession prior to the institution of any collection activities.

Further, the collectability of certain types of debt may be diminished by subsequent judicial actions. For example, two Dutch Supreme Court rulings (in 2014 and 2016) regarding the enforceability of certain types of consumer debt owed to telecommunication providers in the Netherlands, including certain portfolios purchased by the Vesting Group, have led to portions of such debts becoming uncollectable. The value of such portfolios run the risk of impairment, although the significance of such impairment depends also on the quality of the portfolios, and there may related tax effects. As a result, collecting currently outstanding claims of this type became more complicated, time-consuming and costly. At this point in time, the lack of a uniform approach to enforcement in the court system makes it difficult to provide clarity regarding the

actual impact on the value of the portfolios affected by the rulings. Although we have an indemnity from the sellers of the Vesting Group, and it is possible that we may be able to claim damages from the Investment Portfolio Sellers of the affected portfolios directly on the basis of a contractual undertaking, we may not be able to collect on such indemnities and undertakings in full or at all, and may incur costs in pursuing such claims.

As would be the case for purchased portfolios, we may also be prohibited from collecting in whole or in part on, or become subject to regulatory intervention, litigation and fines in respect of, portfolios owned by third parties for which we render asset management or other services. For example, the AFM conducted an industry-wide thematic review of providers and intermediaries of consumer credit in relation to Dutch consumers who had taken out relatively high interest products and then found themselves unable to refinance those products due to tightening lending criteria across the consumer credit market. The Vesting Group acts as a servicer for certain portfolios and following the thematic AFM review, the AFM requested certain modifications to a serviced portfolio which may decreases its value. Notwithstanding the AFM requirements and the Vesting Group's regulatory obligations, the owners of this portfolio (who are not subject to AFM jurisdiction, as the Vesting Group entities are) have objected to some of these modifications and may pursue legal action against the Vesting Group, for implementing the AFM's requirements. We believe we would have meritorious defenses, if any legal action was pursued, and would vigorously defend against, any such legal action were it brought.

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

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

We derive a substantial portion of our revenue from purchasing portfolios from Investment Portfolio Sellers, particularly debt originators. Contracts entered into with Investment Portfolio Sellers have imposed and may continue to 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. Investment Portfolio Sellers 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, Investment Portfolio 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, Investment Portfolio 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 Investment Portfolio Seller with the FOS, among other things. We are subject to audits conducted by Investment Portfolio Sellers and clients that place debt with us for collection on a contingent basis, and we may be required to implement specific changes to our policies and practices as a result of adverse findings by such Investment Portfolio Sellers as a part of this audit process, or certain Investment Portfolio Sellers may remove us from their panels of preferred purchasers. Investment Portfolio Sellers 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 portfolios that

we purchased and, therefore, have a material adverse effect on our business, results of operations and financial condition.

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

Tax returns are prepared in accordance with applicable tax legislation and prevailing case law, with certain tax positions taken by us based on industry practice, tax advice and drawing similarities from our facts and circumstances to those in case law. These positions may relate to such matters as tax compliance, sales and use value-added tax, permanent establishment, transfer pricing, deductibility of expenses, classification of income, treaty relief, withholding tax, franchise, gross receipts, payroll, property and income tax issues. Furthermore, the development of the Fund and Investment Management business has increased the activities and number of tax jurisdictions that we operate in. It is possible that the tax authorities will not agree with the views taken by us. We are subject to periodic tax audits by the tax authorities 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 business, results of operations and financial condition.

Furthermore, as a result of the impairment of ERC during the first half of 2020 and as reflected in our results for the year ended December 31, 2020, the Group incurred certain tax losses within the UK. If we are unable to generate profits in the future, then we will be unable to set-off these losses. Further, the anti-avoidance provision (Section 673 of Corporation Tax Act of 2010) states that any losses can be forfeited if within a period of five years of such loss, there is a change in the ownership of a company and a major change in the nature of conduct of the trade of that company. As a result, there is a risk that we may be unable to set-off some or all of our losses sustained during 2020.

Our effective tax rate may also be affected by changes in UK or overseas tax laws or the interpretation of UK or overseas tax laws, including those tax laws relating to the utilization of tax loss or credit carry forwards, and changes in our assessment of certain matters. Our effective tax rate in any given financial year reflects a variety of factors, including the mix of profit generated in each jurisdiction, 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 in the various jurisdictions that we operate in, which is subject to change. For instance, at the March 2021 United Kingdom budget, the UK government announced an increase to the rate of UK corporation tax for the year commencing April 1, 2023, and set the rate at 25% which was approved with the passing into law of the Finance Act 2021 on June 10, 2021. Any increase in our effective tax rate in future periods could have a material adverse effect on our business, results of operations and financial condition.

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

We may be adversely affected by judgments, settlements, unanticipated costs or other effects of legal and administrative proceedings now pending or that may be instituted in the future, or from investigations by authorities, regulatory bodies or administrative agencies. For example,

there has been a substantial increase in the UK in consumer claims being brought through the courts and before the FOS in attempts to claim refunds of sums paid under loan agreements or to avoid making payments going forward. This litigation has increased, and may increase further, due to the number and level of activity of claims management companies that 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.

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. Breaches may have occurred prior to our acquisitions of portfolios and extends across all the jurisdictions that we operate in, which could result in regulatory penalties and costs associated with providing redress to customers affected.

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

We may in the future be named as defendants in litigation or administrative proceedings, including under consumer credit, tax, collections, employment, competition and other laws or government audits and proceedings. 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, our business, results of operations and financial condition could be materially 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.

In recent years, there has been a substantial increase in consumers' propensity to bring claims related to debt collection to the courts in their attempts to claim refunds of sums paid under consumer credit agreements or to avoid making payments going forward. This litigation has been fueled by a substantial rise in claims management companies that aggressively advertise for potential claimants and then bring claims in the hope and expectation that they will be paid a portion of any debt written off. Substantial complaint volumes have been made in the UK in relation to premiums for mis-sold payment protection insurance (which can form part of the debt being collected) and other types of charges added onto credit accounts. Claims could also be brought in relation to other areas of alleged noncompliance, which could affect a large portfolio of agreements. We may in the future be named as defendants in litigation, including under consumer credit, collections and other laws. We may also have disagreements or disputes with sellers from which we purchase debt, parties to which we outsource accounts, business partners who collect claims on our behalf or other counterparties. For example, certain law firm parties with whom we

contract for collection services have asserted claims against us relating to our agreed fee structure and, in connection with the winding down of similar relationships with other business partners, we may face additional claims. Such claims against us, complaints, disputes or disagreements, regardless of merit, could result in or subject us to costly litigation and divert our 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, and our reputation, financial condition, financial returns and results of operations could be materially and adversely affected.

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 may be held liable for the acts of third parties, including DCAs, if we fail to implement and maintain sufficient oversight arrangements.

We continually review our risk management policies and procedures and will continue to do so in the future. Although we believe that our risk management procedures are adequate, many of our methods of managing risk and exposures are based upon observed historical market behavior and statistic-based historical models. As a result, these methods may not accurately predict future exposures, which could be significantly greater than historical measures indicate. Other risk management methods depend on the evaluation of information regarding markets, debt originators, DCAs, consumers or other matters that are publicly available or otherwise accessible to us. We rely on intermediaries, such as DCAs, servicers and external valuers and other third-party outsource providers, particularly in areas such as IT and the Fund and Investment Management business, 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, Investment Portfolio 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 Investment Portfolio Sellers, and may result in breaches of regulatory or contractual obligations by us, for which we may incur substantial losses and face removal from Investment Portfolio Sellers' purchasing panels. Failure or perceived failure to develop, implement, monitor and maintain sufficient oversight arrangements could have a material adverse effect on our prospects, business, results of operations and financial condition.

The failure of our confidentiality agreements to protect our proprietary processes and systems could materially 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. The development of our Fund and Investment Management business with the establishment of the Fund Manager and the inaugural fund raise of the Fund, which is not replicated by our competitors, provides demonstrable evidence of the value of this intellectual property. Certain employees possess valuable trade secrets about our analytical models, customer databases, business processes and fund manager infrastructure, 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 or illegal means, such as through a cyber-attack. See "*—Our operations are highly dependent upon access to, and the functioning and security of, IT applications, systems and infrastructure. A cyber-attack within the business or through the supply chain that impacts systems, processes, or data, compromising the confidentiality, integrity or availability could result in financial losses, regulatory sanctions, and reputational damage*."

We have in the past initiated, and may in the future initiate, lawsuits to enforce confidentiality agreements and the ownership of our intellectual property. Initiating litigation relating to intellectual property rights is costly and may divert technical and management personnel from their day-to-day responsibilities. In many cases it may not be possible to initiate a lawsuit prior to the disclosure of our trade secrets or proprietary know-how, at which point the damage to our competitive position may be severe or irreparable. Furthermore, we may not be successful in any such litigation or proceeding. A determination in a proceeding that results in a finding of non-infringement or non-violation by others to our intellectual property or confidentiality agreements may result in the use by competitors of our technologies, processes or the development of competing fund management activities, which may materially 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 judgements, 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 judgements may shift over time, based on changes in accounting policies or on changes in our business profile. More complex judgements are required in relation to revenue recognition, including impairment gains/losses and fair value through profit or loss ("**FVTPL**") changes on our purchased loan portfolios and judgements relating to cash flow forecasts. For example, the estimates used in the effective interest rate ("**EIR**") and FVTPL

methods of revenue recognition to calculate the projected Gross IRR on our loan portfolios are primarily based on forecast cash collections and/or valuations. 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, impairment reversals and/or FVTPL gains. 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 impairments and/or FVTPL losses on our loan portfolios. Impairments and FVTPL cause reduced and fluctuating earnings. In the future, the areas requiring more complex judgement will change as a result of the development of our Fund and Investment Management business, for example concerning the revenue recognition of performance fees.

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

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

We occasionally employ the use of Forward Flow Agreements (which involve the purchase of portfolios based upon a contract that requires the purchase of multiple portfolios from an Investment Portfolio Seller at a fixed price). 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 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, the Netherlands, Italy and Ireland, together with the income from fund management and performance fees. The revenues and costs for our businesses whose functional currency is euros, which includes the Fund Manager, are translated into pounds sterling at the applicable exchange rate for inclusion in the financial statements, thus exposing us to currency translation risk. It is our policy to not hedge this translation exposure. Consequently, any change in the exchange rate between the euro and sterling will affect our financial statements.

We are also exposed to currency risk, due to our exposure to euro-denominated loan portfolios, some of which are held within UK entities, whose functional currency is pounds sterling. It is our policy to predominantly hedge this exposure, but, to the extent that these exposures are not hedged, the exchange rate fluctuations could materially adversely affect our financial condition and results of operations.

As we increase our investments to euro-denominated portfolios and with the development of our Fund and Investment Management business that receives euro fee income, the related currency translation risks are expected to increase and, to the extent we rely on our revenue in pounds sterling to service our euro-denominated indebtedness or vice versa, changes in the value of pounds sterling relative to the euro may increase the proportion of revenue we need to devote to our debt service obligations and adversely affect our financial results. 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 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 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. Furthermore, 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 business, results of operations and financial condition.

Risks Relating to the Transactions

Bidco has made certain assumptions relating to the Acquisition in forecasts that may prove to be materially inaccurate.

Bidco has made certain assumptions relating to the forecast level of cost savings, synergies and associated costs of the Acquisition. These assumptions are based on information made available by the Group, which Bidco believes to be reasonable. However, these assumptions and forecasts may prove to be inaccurate, and Bidco may suffer from, among others, a failure to realize the expected benefits of the Acquisition, higher than expected transaction and integration costs, costs related to unknown liabilities, and including estimated cost savings within the anticipated timelines or at all, a deterioration of business due to general economic and business conditions. In

addition, unanticipated events may adversely affect actual results in future periods whether or not these assumptions otherwise prove to be correct. Any of the foregoing may adversely affect the Group's business, financial condition and results of operations following the completion of the Acquisition and could cause actual results to differ from the assumptions and forecasts set forth in this Offering Memorandum.

The Target Group may have liabilities that are not known to us.

The Target Group was acquired on October 11, 2021 by way of a scheme of arrangement effected under Part 26 of the UK Companies Act 2006. As a result, the shareholders conducted limited diligence in connection with the Acquisition. As such, due to the limited scope of the diligence conducted, there may be liabilities that were not discovered in the course of the due diligence investigations into the Target Group in connection with the Acquisition. For example, we could become liable for overdue payables of the Target Group to employees that are not currently known to us, or could become subject to tax or pension liabilities in respect of historical periods that we are not currently aware of or the amount of which we may have underestimated. There can be no assurance that the due diligence undertaken by us has revealed or highlighted all relevant facts necessary or helpful in evaluating the Acquisition. Furthermore, there can be no assurance as to the adequacy or accuracy of information provided during the due diligence exercise or that such information was accurate and remained accurate through the conclusion of the due diligence exercise. The due diligence process is inherently subjective. If the due diligence investigation failed to identify material information regarding the Acquisition, we may later be forced to write down or write off certain assets, significantly modify the business plan for the Target Group or incur impairment or other charges. Similarly, if the materialization of certain risks, which may or may not have been identified during due diligence, occur, such materialization may lead to a loss of property, loss of value and, potentially, subsequent contractual and statutory liability to various parties. Any such undiscovered liabilities, individually or in the aggregate, could have a material adverse effect on the business, financial condition and results of operations of the Target Group. Also, additional information about the Target Group may be discovered that may have adverse effects, such as unknown or contingent liabilities and issues relating to compliance with applicable laws.

Certain of the Group's contracts contain change of control provisions, which may allow counterparties to terminate such contracts under circumstances such as the Acquisition.

Certain of our contracts, including customer and supplier contracts, contain "change of control" provisions that may require us to notify the counterparty of a potential change of control, or contain language that would allow, or could be interpreted as allowing, the counterparty to terminate the contract under certain circumstances. There can be no assurance that any such counterparty will not seek to exercise their termination rights in the future. In addition, some of our customer and supplier contracts can be terminated at the convenience of customers and suppliers, and some customers could choose to terminate such contracts as a result of the Acquisition and the consequent change in control of the Group. Any of these events could have a material adverse effect on our business, financial condition and results of operations following the Acquisition.

We have included in this Offering Memorandum certain unaudited adjusted annualized data and other financial information not prepared in accordance with IFRS.

We have included in this Offering Memorandum certain non-IFRS measures, including EBITDA, Adjusted EBITDA, Run-rate Adjusted EBITDA and Pro Forma Annualized Adjusted EBITDA. The non-IFRS measures and other information (including unaudited adjusted data) included in this Offering Memorandum have been prepared for information purposes only and have not been prepared in accordance with IFRS, U.S. GAAP or any other internationally accepted accounting principles or audited or reviewed in accordance with any applicable auditing standards. These non-IFRS measures and other information are not identified as accounting measures under IFRS and therefore should not be considered as alternative measures to evaluate our performance. The non-IFRS measures and other information (including unaudited adjusted data) are based on available information and certain assumptions and estimates that we believe are reasonable in the circumstances. However, these assumptions and estimates are inherently uncertain, subject to a wide variety of significant business, economic and other risks and may differ materially from our actual financial condition or results of operations. The non-IFRS measures and other information (including unaudited adjusted data) included in this Offering Memorandum are not intended to comply with the reporting requirements of the SEC and will not be subject to review by the SEC and certain measures would be prohibited from inclusion in documents furnished or filed with the SEC. Certain of these amounts have not been, and, in certain cases cannot be, audited, reviewed or verified by any independent accounting firm.

In particular, Run-rate Adjusted EBITDA and Pro Forma Annualized Adjusted EBITDA and ratios derived therefrom seek to adjust our financial results to give effect to certain non-recurring items, the effect of contract wins prior to June 30, 2021 (including the contract with Tesco Bank that was concluded in third quarter of 2021) and increases in revenues from management fees generated by the Fund for investments which have already been committed. The adjustments made to calculate Run-rate Adjusted EBITDA and Pro Forma Annualized Adjusted EBITDA are based upon available information and assumptions that we believe are reasonable in the circumstances but are included for illustrative purposes only and have not been audited. Run-rate Adjusted EBITDA and Pro Forma Annualized Adjusted EBITDA are not comparable to the audited results and should not be regarded as a substitute for the Consolidated Financial Statements, which are prepared in accordance with IFRS.

In addition, Pro Forma Annualized Adjusted EBITDA is calculated by multiplying our Run-rate Adjusted EBITDA for the six months ended June 30, 2021 by two and based on estimated cost-savings opportunities including those which have been identified by an external consultant in connection with the Acquisition. Given the run rate estimate of costs savings, it is likely that Pro Forma Annualized Adjusted EBITDA will differ from actual results for the period. In particular, this run rate calculation is based on specific benchmark data and assumptions which may vary from the cost saving initiatives we ultimately implement. We are still devising detailed bottom-up plans with respect to the exact amounts, timing and the nature of the cost savings initiatives to be implemented to realize such cost savings. Pro Forma Annualized Adjusted EBITDA and adjustments are for illustrative purposes only and are not intended to project our consolidated results of operations for any future period and may not be reflective of the actual results for any period. Such information has not been audited, reviewed or verified and you should not place

undue reliance thereon or regard such information as a substitute for the audited consolidated financial data of AGG or financial data prepared in accordance with IFRS.

The foregoing financial data has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act or any generally accepted accounting standards. None of the adjustments, estimates or run rate calculations have been audited by any independent auditors and should not be considered indicative of actual results that would have been achieved had the events for which we have made the adjustment, estimate or calculation been completed as the dates stated and do not purport to indicate our future consolidated results of operations or financial position. The actual results may differ significantly from those presented for a number of reasons, including, but not limited to, differences in assumptions used.

This Offering Memorandum includes forward-looking statements, certain targets and assumptions in forecasts that involve risks and uncertainties.

This Offering Memorandum contains forward-looking statements, targets and assumptions in forecasts that involve risks and uncertainties, including statements regarding our plans, strategies, objectives, expectations, performance and leverage targets, estimates, projections and forecasts, budgets, goals, resources, future projects, business expansion plans, changes in laws related to business operations, certain estimated cost savings, government policies in different countries and other factors which anticipate future events. Actual results may differ materially from the expectations and targets provided (whether express or implied) in any forward-looking statement, although the Group deems that such information is based on reasonable assumptions.

We reference targets and estimates in this Offering Memorandum based on our business plan, calculations and/or public information previously disclosed to the market. The targets and estimates may not be met due to several factors and circumstances, some of which may be beyond our control. Due to various risks and uncertainties, including with respect to the ongoing COVID-19 pandemic, actual events or results or the actual performance, operations, financial condition, liquidity of the Group and the development of the industry in which the Group operates may differ materially from those reflected or contemplated in such forward-looking statements or projections. The estimates and targets contained herein are indicative only and should not be construed as forecasts or an assurance that such targets will be met during the timeframe mentioned herein or at all.

We have also made certain assumptions relating to the forecast level of cost savings, synergies and associated costs of the Acquisition, including with respect to the calculation of Run-Rate Adjusted EBITDA and Pro Forma Annualized Adjusted EBITDA. These assumptions and forecasts may prove to be inaccurate, and we may suffer from, among others, a failure to realize the expected benefits of the Acquisition, higher than expected transaction and integration costs, costs related to unknown liabilities, and a deterioration of our business due to general economic and business conditions.

The opinions of the Group are current and do not constitute an assurance of future performance or events of any kind. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Offering Memorandum may not be accurate or occur at all. The Group is under no obligation to review, update, supplement or provide any further

information in respect of any estimate and/or forward-looking statement because of new information, future events or other factors. Accordingly, prospective investors should not place undue reliance on these forward-looking statements, which speak only as of the date on which the statements were made. See "*Forward-Looking Statements*" for further information.

Risks relating to our financial profile, the Notes and the Guarantees

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

Following the issuance of the Notes, we will be highly leveraged. As of June 30, 2021, after giving effect to the Transactions and the use of proceeds therefrom, we would have had third-party debt totaling £1,354 million, excluding £17.9 million of lease liabilities. See "*Capitalization*."

The degree to which we will remain leveraged following the Transactions could have important consequences to holders of the Notes offered hereby, including, but not limited to:

- making it difficult for us to satisfy our obligations with respect to the Notes;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions, including an economic downturn due to the impact of the COVID-19 pandemic;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of interest on indebtedness, thereby reducing the availability of such cash flow to fund the payment of principal of indebtedness, working capital, capital expenditures, acquisitions, joint ventures or other general corporate purposes;
- limiting our flexibility in planning for or reacting to changes in our business and the competitive environment and the industry in which we operate;
- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged; and
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including the Notes.

Despite our high level of indebtedness, we may be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness.

We may be able to incur substantial additional indebtedness in the future, including secured indebtedness and structurally senior indebtedness. Although the Indenture and the Revolving Facility Agreement will contain restrictions on the incurrence of additional indebtedness, these restrictions will be subject to a number of significant qualifications and exceptions, and under

certain circumstances, the amount of indebtedness that could be incurred in compliance with those restrictions could be substantial. In addition, the Indenture and the Revolving Facility Agreement will not prevent us from incurring obligations that would not constitute indebtedness under those agreements.

A number of our present and future subsidiaries, comprising of our Jersey fund management group, will constitute Unrestricted Subsidiaries under the indenture governing the Notes, and will, therefore, not be subject to the restrictive covenants.

The subsidiaries that comprise our Jersey fund management group, consisting of (i) AGG Capital Management (Holdco) Limited ("**ACMH**"), (ii) AGG Capital Management Limited ("**ACML**" or the "**Fund Manager**"), which is ACMH's direct subsidiary and our main fund management entity, and (iii) the Fund Manager's subsidiaries, which include, among others, general partners of the various funds managed by ACML, will be Unrestricted Subsidiaries under the terms of the Indenture. During the twelve months ended December 31, 2020, 97% of the total revenue for the Asset Management and Servicing and Fund and Investment businesses, together with the total collections received by the Balance Sheet business, were received directly by Restricted Group. The remaining 3% was received by ACML, but indirectly received by Restricted Group pursuant to recharges for services that certain of the Restricted Subsidiaries provided to ACML. Additionally, a Restricted Subsidiary, Arrow Global Limited, holds preferred ordinary shares in ACML, entitling it to all dividends declared and paid by ACML.

Furthermore, we may designate additional Restricted Subsidiaries as Unrestricted Subsidiaries in accordance with the terms of the Indenture. This means that, for so long as, and to the extent that, such subsidiaries remain Unrestricted Subsidiaries, the restrictive covenants contained in the indenture governing the Notes will not apply to such subsidiaries, subject to certain exceptions. Accordingly, Unrestricted Subsidiaries (including our Jersey fund management group), among other things, may incur unlimited debt and may sell their assets without any restriction of the use of proceeds therefrom. In addition, the creditors of Unrestricted Subsidiaries (including our Jersey fund management group) will generally be entitled to payment in full of their claims from the assets of such Unrestricted Subsidiaries before the Issuer or the Guarantors, or their creditors, will be entitled to receive any distributions from such Unrestricted Subsidiaries. See also "*Description of the Notes—Restricted Subsidiaries and Unrestricted Subsidiaries.*"

The debt under our Euro Floating Rate Notes and Revolving Facility Agreement will bear interest at a floating rate that could rise significantly, increasing our interest cost and debt and reducing our cash flow.

The debt under our Euro Floating Rate Notes will bear interest at floating rates of interest per annum equal to EURIBOR, adjusted quarterly, plus an applicable margin. The debt under our Revolving Facility Agreement will bear interest at floating rates of interest per annum equal to compounding overnight the Sterling Overnight Index Average published by the Bank of England ("**SONIA**") plus a spread adjustment for loans denominated in pounds sterling, EURIBOR for loans denominated in euro or the London Interbank Offered Rate ("**LIBOR**") for loans denominated in U.S. dollars, in each case plus an applicable margin. These rates could rise significantly in the future. Although we may enter into and maintain certain hedging arrangements designed to fix a portion of these rates, there can be no assurances that hedging will continue to be

available on commercially reasonable terms. Hedging itself carries certain risks, including that we may need to pay a significant amount (including costs) to terminate any hedging arrangements and that we may be required to satisfy margin calls. To the extent interest rates were to rise significantly, our interest expense associated with the debt under our Euro Floating Rate Notes and Revolving Facility Agreement, to the extent not fixed by means of hedging arrangements, would correspondingly increase, thus reducing cash flow.

As a consequence of regulatory reforms, the common maturities of U.S. dollar LIBOR will cease to be published as panel bank rates after June 30, 2023 (and all other LIBOR settings for all currencies will cease as panel bank rates after December 31, 2021). It is not known if or when regulatory reform may, in the future, cause EURIBOR to cease or be replaced. The U.S. dollar floating rate market is currently expected to transition to use, in place of U.S. dollar LIBOR, a floating rate equal to compounding overnight SOFR (the Secured Overnight Financing Rate published by the Federal Reserve in the U.S.) plus a spread adjustment, by not later than the time that the relevant U.S. dollar LIBOR setting is to cease as a panel bank rate, although other alternative rates may also be used. These reforms may cause such benchmarks to perform differently than in the past or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any of our debt linked to such a benchmark.

Regulatory requirements under the EU Benchmark Regulation (particularly in relation to EURIBOR) and under the UK Benchmark Regulation (particularly in relation to LIBOR) may: (i) discourage market participants from continuing to administer or contribute to a regulated benchmark (such as EURIBOR or LIBOR); (ii) trigger changes in the rules or methodologies used for the benchmark or (iii) lead to the disappearance of the benchmark. The scheduled cessation of the LIBOR benchmark as a panel bank rate or any proposal to cease the determination or publication of any other benchmark, changes in the manner of administration of any benchmark, or actions by regulators or law enforcement agencies could result in changes to the manner in which the relevant benchmark is determined, which could require an adjustment to the terms and conditions, or result in other consequences, in respect of any debt linked to such benchmark. Any of the above changes or any other consequential changes as a result of international, national or other proposals for reform or other initiatives may result in a sudden or prolonged increase in any affected benchmark, which could have a material adverse effect on the value of and return on any floating rate debt linked to that benchmark and on our ability to service debt that bears interest at floating rates of interest, including the Euro Floating Rate Notes, reducing cash flows otherwise available for our operations, capital expenditures, acquisitions and servicing our debt obligations.

The Indenture will provide that, in the event that EURIBOR is no longer being calculated or administered, is no longer generally representative of the underlying market which EURIBOR seeks to represent on the Issue Date or is otherwise no longer generally accepted in the euro zone for the purposes of determining floating rates of interest in respect of euro-denominated securities, the rate of interest on the Euro Floating Rate Notes will thereafter be determined on an alternative basis by reference to any successor rate (including any generally accepted adjustment spread) generally accepted in the euro zone for the purposes of determining floating rates of interest in respect of euro-denominated securities which originally referenced EURIBOR, as identified by the Issuer in good faith. However, in the event that there is no generally accepted successor rate to EURIBOR in the good faith judgement of the Issuer, the Issuer, in consultation with an independent financial advisor, shall determine a reasonably appropriate alternative basis for

determining the rate of interest (and any applicable adjustment spread to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to holders of the Euro Floating Rate Notes as a result of the replacement of EURIBOR) on the Euro Floating Rate Notes (and any such alternative basis adopted will in all cases never be less than 0.0%). This means that interest on the Euro Floating Rate Notes would be determined by the Issuer on the basis of a benchmark rate, together with adjustments, that was not contemplated at the time you purchased the Euro Floating Rate Notes issued on the Issue Date. The Indenture may require the exercise of discretion by the Issuer and the making of potentially subjective judgments (including as to the occurrence or not of any events which may trigger amendments to the Indenture) without the consent of the holders of the Euro Floating Rate Notes. The interests of the Issuer in making such determinations or amendments may be adverse to the interests of the holders of the Euro Floating Rate Notes. See "*Description of the Notes*."

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

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

Our ability to draw under the Revolving Facility Agreement will depend, among other things, on our ability to meet the financial covenants set out therein, and other required conditions to drawing could be affected by a number of factors, including events beyond our control. See "—*We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities*." Any inability to borrow funds at a time of low levels of cash flow could constrain our ability to purchase portfolios and/or maintain our operations, which could materially adversely affect our business.

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

The Indenture and the Revolving Facility Agreement will restrict, among other things, our ability to:

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

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

The covenants to which we will be subject could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest. All of these limitations will be subject to significant exceptions and qualifications.

For the restrictions that will be included in the Indenture, see "*Description of the Notes—Certain Covenants*." In addition, we will be subject to the affirmative covenants contained in the Revolving Facility Agreement. In particular, the Revolving Facility Agreement will require us to comply with a financial covenant. Our ability to meet this financial covenant can be affected by events beyond our control, and we cannot assure you that we will meet it. A breach of any of the covenants, ratios, tests or restrictions contained in the Revolving Facility Agreement could result in an event of default under the Revolving Facility Agreement. Upon the occurrence of any event of default under the Revolving Facility Agreement, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could cancel the availability of the facilities and elect to declare all amounts outstanding under the Revolving Facility Agreement, together with accrued interest, immediately due and payable. In addition, any default under the Revolving Facility Agreement could lead to an event of default and acceleration under other debt instruments that contain cross-default or cross-acceleration provisions, including the Indenture. If our creditors, including the creditors under the Revolving Facility Agreement, accelerate the payment of those amounts, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries which would be due and payable and to make payments to enable us to repay the Notes, in full or in part. In addition, if we are unable to repay those amounts, our creditors could proceed against any collateral granted to them to secure repayment of those amounts.

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, purchases of new debt portfolios and capital expenditures, will depend on our future operating performance and ability to generate sufficient cash. This depends, to some extent, 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. Our ability to make payments on our debt also depends on our cash flow cycle. If our interest payment dates coincide with periods of significant cash outflow, we may have insufficient cash to pay our obligations as they come due.

We cannot assure you that our business will generate sufficient cash flows from operations, that revenue growth, currently anticipated cost savings and operating improvements will be realized or that future debt and equity financing will be available to us in an amount sufficient to enable us to pay our debts when due, including the Notes, or to fund our other liquidity needs. In particular, the continuing economic disruption caused by the COVID-19 pandemic, and the resulting restrictions and preventive measures, have adversely affected our ability to generate sufficient cash flows from operations. See "*Risk Factors—Other Risks Relating to our Operations—Our business, financial condition, cash flows and results of operations have been and may continue to be adversely affected by the COVID-19 pandemic,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Results of Operations—Impact of the COVID-19 pandemic*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*."

If our future cash flows from operations and other capital resources (including borrowings under the Revolving Facility Agreement) 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 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 and the Revolving Facility Agreement, will 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 could require us to comply with more onerous covenants, which could further restrict our business, financial condition and results of operations. There can be no assurance that any assets which we could be required to dispose of could be sold or that, if sold, the timing of such sale and the amount of proceeds realized from such sale would be acceptable.

Creditors under the Revolving Facility Agreement, any Hedging Agreements (as defined in the Intercreditor Agreement) and certain operating facilities (if any) will be entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale in priority to the Notes.

The obligations under the Notes and the Guarantees will be secured on a first-ranking basis with security interests over Collateral which will also secure our obligations under the Revolving Facility Agreement. The Indenture will also permit the Collateral to be pledged to secure additional indebtedness in accordance with the terms thereof and the Intercreditor Agreement.

Pursuant to the Intercreditor Agreement, the liabilities under the Revolving Facility Agreement, any Hedging Agreement (as defined in the Intercreditor Agreement) and certain operating facilities (if any) that are secured by assets that also secure obligation under the Notes and the Guarantees will receive priority with respect to any proceeds received upon any enforcement action over any such assets. See "*Description of Other Indebtedness—Intercreditor Agreement*."

As a result, in the event of any realization or enforcement of the Collateral, you may not be able to recover on the Collateral if the then-outstanding claims under the Revolving Facility Agreement, any Hedging Agreements and certain operating facilities (if any) are greater than the proceeds realized.

Certain of the Collateral will not secure the Notes on the Issue Date.

On the Issue Date, subject to the operation of the Agreed Security Principles, certain perfection requirements, any Permitted Collateral Liens, certain material limitations pursuant to applicable laws and the terms of the Transaction Security Documents, the Notes will only be secured by (i) a limited recourse English law share charge over all shares held by Midco in the Parent and a security assignment of intercompany loans owed by the Parent to Midco, and (ii) an English law debenture granted by each of the Parent, Finco, Bidco and the Issuer over certain material assets of the Parent, Finco, Bidco and the Issuer (together, the "**Closing Date Collateral**"). As soon as reasonably practicable after the Re-Registration Date, and in any case no later than the date that is 120 days after the Re-Registration Date (the "**Backstop Date**"), subject to the Agreed Security Principles, certain perfection requirements, any Permitted Collateral Liens, certain material limitations pursuant to applicable laws and the terms of the Transaction Security Documents, the Notes will also be secured by certain security granted by the Additional Guarantors, including (1) an English law debenture over certain material assets of the Additional Guarantors that are incorporated in England and Wales, (2) comparable security for Additional Guarantors incorporated in Guernsey and Jersey, and (3) with respect to the Additional Guarantors incorporated in the Netherlands, security over (i) the material bank accounts of such Additional Guarantors, (ii) intra-Restricted Group receivables, and (iii) shares owned by such Additional Guarantors in the Issuer or the other Guarantors (the "**Post Closing Date Collateral**" and together with the Closing Date Collateral, the "**Collateral**")). See "*Description of the Notes—Security*." Furthermore, on the Issue Date, the Notes will only be obligations of the Issuer and will only be guaranteed by Parent, Finco and Bidco. As soon as reasonably practicable after the Re-Registration Date, and in any case, no later than the Backstop Date, subject to the Agreed Security Principles, the Notes will be guaranteed by the Target and certain material wholly owned subsidiaries of the Target. The provision of such Guarantees and the granting of Collateral are in each case subject to

the Agreed Security Principles, including the limitation of the Collateral to those assets located in England and Wales, Guernsey, Jersey and the Netherlands. There can be no assurance, however, that we will be successful in procuring such security interests or guarantees within the time periods specified. Subject to the Intercreditor Agreement, the Agreed Security Principles and the applicable perfection requirements, the Collateral will also secure borrowings under the Revolving Facility, certain hedging obligations and certain operating facilities, if any. In addition, subject to and on terms consistent with the Agreed Security Principles, certain other security interests in the Collateral may be confirmed, extended and/or granted (as applicable) in accordance with the covenants described under "*Description of the Notes—Certain Covenants—Impairment of Security Interest*." If we or any Guarantor were to become subject to a bankruptcy or insolvency proceeding after the Issue Date, any such creation or perfection steps may face a greater risk of being invalidated than if we had taken such steps at the Issue Date. If any such security interest is created or perfected after the Issue Date, it may be treated under bankruptcy law (in certain of the Guarantor jurisdictions) as if it were delivered to secure previously existing debt, which is materially more likely to be avoided as a preference by the bankruptcy court than if the steps were taken at the time of the Issue Date. To the extent that the grant or perfection of any such security interest is avoided as a preference, you would lose the benefit of such security interest. The Collateral will be subject to certain material limitations pursuant to applicable laws as described under "*Limitations on Validity and Enforceability of Guarantees and Security and Certain Insolvency Law Considerations*."

The Notes will be secured only to the extent of the value of the Collateral that will have 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 Notes will be secured by the Collateral. There is no guarantee that the value of the Collateral will be sufficient to enable the Issuer to satisfy its obligations under the Notes. In addition, 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 other things, general market and economic conditions, the condition of the market for the Collateral, the ability to sell Collateral in an orderly sale, the fair market value of the Collateral, the timing and manner of the sale, whether or not our business is sold as a going concern, the jurisdiction in which the enforcement action or sale is completed, the ability to readily liquidate the Collateral, 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 our assets in the event of an enforcement action. 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 addition, the Collateral will not include all of our assets.

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. 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 of 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, the Trustee or holders of the Notes to realize or enforce that Collateral. Each of these factors or any challenge to the validity of the Collateral or the intercreditor arrangement governing our creditors' rights could reduce the proceeds realized upon enforcement of the 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 discharging sums owing to certain creditor representatives and the Security Agent as well as enforcement costs, then satisfaction of obligations under the Revolving Facility Agreement, any Hedging Agreements (as defined in the Intercreditor Agreement) and certain operating facilities (if any) and thereafter to repay on a *pari passu* basis the obligations of the Issuer and the Guarantors under the Indenture, the Notes and any other indebtedness of the Issuer and the Guarantors permitted to be incurred and secured by the Collateral pursuant to the Indenture and the Intercreditor Agreement. 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 available to you from the proceeds of any sale of the Collateral.

To the extent that other first priority security interests, pre-existing liens, liens permitted under the Revolving Facility Agreement and the Indenture and other rights encumber the Collateral securing the Notes, the 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 Issuer, Midco and the Guarantors have control over the Collateral securing the Notes, and the sale of particular assets could reduce the pool of assets securing the Notes.

The Transaction Security Documents will allow the Issuer, Midco and the Guarantors to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from the Collateral securing the Notes. Subject to the Transaction Security Documents, so long as no default or event of default under the Indenture or a continuing acceleration event under the Revolving Facility Agreement would result therefrom, the Issuer, Midco 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, abandoning 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 securing the Notes will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture or the Intercreditor Agreement and accepted by other creditors that have the benefit of first priority security interests in the Collateral securing the Notes from time to time, whether on or after the date the Notes are first issued. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral securing the Notes, 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, statutory liens or re-characterization under the laws of certain jurisdictions. In addition, the laws, regulations or other governmental measures introduced in response to the COVID-19 pandemic may have the effect of imposing a moratorium on or otherwise delaying or limiting the ability to enforce or pursue certain remedies in respect of the Collateral.

The Collateral includes shares of the Additional Guarantors, certain of which are UK Regulated Firms. As regulated firms, the Additional Guarantors that are UK Regulated Firms are subject to the change of control regime under Part XII of FSMA and, accordingly, any enforcement in respect of the shares of such regulated firms will be subject to change of control approvals, which may delay or otherwise impair the ability of the Security Agent to realize or foreclose on such shares. Moreover, the security interests of the Security Agent will be subject to practical problems generally associated with the realization of security interests over the Collateral. For example, the Security Agent may need to obtain the consent of a third party to enforce, or to preserve and maximize value in connection with the enforcement of, 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.

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

The obligations under the Notes and the Guarantees are secured on a first ranking basis with security interests over the Collateral that also secure our obligations under the Revolving

Facility, certain hedging obligations and certain operating facilities. The Indenture also permits the Collateral to secure additional indebtedness in accordance with the terms thereof and the Intercreditor Agreement. Moreover, the Intercreditor Agreement provides that the Security Agent will only enforce the Collateral as provided for in the Intercreditor Agreement, and the Indenture regulates the ability of the Trustee or the holders of the Notes to instruct the Security Agent to take enforcement action. The Security Agent is not required to take enforcement action unless instructed to do so by an instructing group that consists of the holders of the aggregate principal amount of the then-outstanding Notes and creditors (such holders and creditors together the "**Senior Secured Creditors**") in respect of indebtedness ranking *pari passu* with the Notes (the "**Senior Credit Participations**") which aggregate more than 66.67% of the total Senior Credit Participations at that time (the "**Majority Senior Secured Creditors**") (in each case acting through their respective creditor representatives) and an instructing group that consists of the lenders under the Revolving Facility and creditors (such lenders and creditors together the "**Super Senior Secured Creditors**") in respect of certain hedging obligations (the "**Super Senior Credit Participations**") which aggregate more than 66.67% of the total Super Senior Credit Participations at that time (the "**Majority Super Senior Creditors**") (in each case acting through their respective creditor representatives). Save as provided below, in the event the Security Agent receives conflicting instructions in respect of enforcement of the transaction security from the Majority Senior Secured Creditors and the Majority Super Senior Creditors, then the Security Agent shall act in accordance with the instructions of the Majority Senior Secured Creditors (provided that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the relevant security documents). If the Super Senior Secured Creditors have not been fully repaid within six months of the consultation period specified in the Intercreditor Agreement, the Security Agent has not commenced any enforcement of the security (or a transaction in lieu thereof) or other enforcement action within three months of the end of the consultation period specified in the Intercreditor Agreement, or certain insolvency event has occurred and the Security Agent has not commenced any enforcement of the security (or a transaction in lieu thereof) or other enforcement action at that time, then the Security Agent shall follow the instructions given by the Majority Super Senior Creditors (provided that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the relevant security documents). An instructing group is entitled to give instructions to take enforcement action prior to the end of the applicable consultation period without consulting with any creditor representative or hedge counterparty (provided that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the relevant security documents) if Collateral has become enforceable as a result of an insolvency event that has occurred with respect to any relevant Group company, or the instructing group or any creditor representative of the creditors represented in the instructing group determines in good faith (and notifies the other creditor representatives, the hedge counterparties and the Security Agent) that to enter into such consultation and thereby delay the commencement of enforcement of the Collateral would reasonably be expected to have a material adverse on the Security Agent's ability to enforce Collateral, or on the realization proceeds of any enforcement of Collateral, and in such circumstances any instructions are required to be limited to those necessary to protect or preserve the interests of the Super Senior Secured Creditors or the Senior Secured Creditors (as applicable) on behalf of which the relevant instructing group is acting and the Security Agent is required to act in accordance with the instructions first received. The Security Agent may also refrain from acting in accordance with any instructions that may in its discretion require for any cost, loss or liability which it may incur

in complying with those instructions until it has been indemnified and/or secured to its satisfaction. To the extent we incur additional indebtedness that is secured on a *pari passu* basis with the Notes, the voting interest of holders of Notes in an instructing group will be diluted commensurate with the amount of indebtedness we incur. The lenders under the Revolving Facility may have interests that are different from the interests of holders of the Notes and they may, subject to the terms of the Intercreditor Agreement, elect to pursue their remedies under the Transaction Security Documents at a time when it would be disadvantageous for the holders of the Notes to do so. In addition, if the Security Agent sells Collateral consisting of the shares of the Issuer or any other Debtor (as defined in the Intercreditor Agreement) or any holding company of any Debtor (as defined in the Intercreditor Agreement) as a result of an enforcement action in accordance with the Intercreditor Agreement, claims under the Guarantees and the liens over any other assets of such entities securing the Notes and the Guarantees may be released. See "*Description of Other Indebtedness—Intercreditor Agreement*" and "*Description of the Notes*." Delays in enforcement could decrease or eliminate recovery values. In addition, the holders of the Notes will not have any independent power to enforce, or have recourse to, any of the Transaction Security Documents or to exercise any rights or powers arising under the Transaction Security Documents, except through the Security Agent as provided in the Intercreditor Agreement. By accepting the Notes, you will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Notes will have limited remedies and recourse against the Issuer and the Guarantors in the event of a default. See "*Description of Other Indebtedness—Intercreditor Agreement*."

The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of the Notes. The ability of the Security Agent to enforce certain of the Collateral may be restricted by local law.

The security interests in the Collateral that will secure the obligations of the Issuer under the Notes and the obligations of the Guarantors under the Guarantees will not be granted directly to the holders of the Notes but will be granted only in favor of the Security Agent. The Indenture will provide (along with the Intercreditor Agreement) that only the Security Agent has the right to enforce the Transaction Security Documents. As a consequence, holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee, who (subject to the provisions of the Indenture and the Intercreditor Agreement) will provide instructions to the Security Agent in respect of the Collateral.

In addition, the ability of the Security Agent to enforce the security interests in the Collateral is subject to mandatory provisions of the laws of each jurisdiction in which security interests over the Collateral are taken. For example, the laws of certain jurisdictions may not allow for an appropriation of certain pledged assets, but require a sale through a public auction and certain waiting periods may apply. There is some uncertainty under the laws of certain jurisdictions as to whether obligations to beneficial owners of the Notes that are not identified as registered holders in a security document will be validly secured. In certain jurisdictions, due to the laws and other jurisprudence governing the creation and perfection of security interests and enforceability of such security interests, the applicable Collateral will secure a so-called "parallel debt" obligation created under the Intercreditor Agreement in favor of the Security Agent as well as, or in lieu of, securing the obligations under the Notes directly. This parallel debt structure is used where certain jurisdictions have legal requirements relating to the creation and ongoing valid existence of

security interests which are linked with the original secured claims and where certain actions under the finance documents, such as novation, may cause invalidity of the security interests under local law. The parallel debt is in the same amount and payable at the same time as the obligations of the Issuer and the Guarantors under the Notes and the Guarantees (the "**Principal Obligations**"), and any payment in respect of the Principal Obligations will discharge the corresponding parallel debt and any payment in respect of the parallel debt will discharge the corresponding Principal Obligations. Although the Security Agent will have, pursuant to the parallel debt, a claim against the Issuer and the Guarantors for the full principal amount of the Notes, the parallel debt structure has not (explicitly) been tested in the courts of these jurisdictions and there is no judicial guidance as to its efficacy or validity. Therefore, the ability of the Security Agent to enforce the Collateral may be restricted, or the parallel debt structure might not be capable of creating a valid security interest on the part of the Security Agent.

In addition, holders of the Notes bear some risk associated with a possible insolvency or bankruptcy of the Security Agent which could in particular, under certain circumstances, result in a delay in enforcement, diminishing value or even loss of the Collateral or Guarantees.

The interests of holders of the Euro Fixed Rate Notes, the Euro Floating Rate Notes and the Sterling Notes may be inconsistent and the interests of the holders of the Notes and additional notes issued under the Indenture from time to time may be inconsistent.

The Euro Fixed Rate Notes, the Euro Floating Rate Notes and the Sterling Notes will be issued pursuant to a single Indenture. Under the Indenture, the Euro Fixed Rate Notes, the Euro Floating Rate Notes and the Sterling Notes will be able to vote as a single class with respect to amendments, waivers or other modifications of the Indenture other than with respect to amendments, waivers or other modifications that will only affect the relevant series of Notes. The Euro Fixed Rate Notes, the Euro Floating Rate Notes and the Sterling Notes will bear different interest rates, have a different call schedule and call protection and have other features that differ. As a result of these differences, the interests of holders of the Euro Fixed Rate Notes, the Euro Floating Rate Notes and the Sterling Notes could conflict. Subject to certain restrictions, further series of Additional Notes (as defined in "*Description of the Notes*.") may be issued under the Indenture which have different terms in respect of currency, interest rate and certain other matters. Such Additional Notes will also generally vote as a single class with other series of notes issued under the Indenture but may have interests that differ from the holders of other series of notes issued under the Indenture, including the Notes.

Additional Notes sold pursuant to Regulation S may not be fungible with existing Notes for U.S. federal income tax purposes.

Additional Notes sold pursuant to Regulation S from time to time may be issued with the same ISIN, Common Code, CUSIP or other securities identification number as the applicable series of notes previously issued under the Indenture without being fungible with such series of notes for U.S. federal income tax purposes.

If you are a U.S. holder (as defined in "*Certain Tax Considerations—Certain U.S. Federal Income Tax Considerations*") considering the purchase of Notes sold pursuant to Regulation S as part of this offering of Notes or in the secondary market, you should consult your tax advisors

concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of such Notes, including with respect to the potential issuance of Additional Notes that are not fungible with the applicable series of initial Notes issued under the Indenture for U.S. federal income tax purposes, but which, nevertheless, are not capable of being separately identified.

In the event that any additional Notes issued after the date hereof and sold pursuant to Rule 144A are not fungible with any notes previously issued under such Indenture for U.S. federal income tax purposes, such non-fungible additional Notes shall be issued with a separate ISIN, Common Code, CUSIP or other securities identification number, as applicable, so that they are distinguishable from such previously issued notes under such Indenture. Additional Notes sold pursuant to Regulation S from time to time may be issued with the same ISIN, Common Code, CUSIP or other securities identification number as the applicable series of notes previously issued under such Indenture without being fungible with such series of notes for U.S. federal income tax purposes.

If you are a U.S. holder (as defined in "*Tax Considerations—Certain U.S. Federal Income Tax Consequences*") considering the purchase of Notes sold pursuant to Regulation S as part of this offering of Notes or in the secondary market, you should consult your tax advisors concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of such Notes, including with respect to the potential issuance of additional Notes that are not fungible with the applicable series of initial Notes issued under the Indenture for U.S. federal income tax purposes, but which nevertheless are not capable of being separately identified. In the event additional Notes are issued pursuant to Regulation S that bear the same ISIN, Common Code, CUSIP or other securities identification number as Notes belonging to the same series previously issued, without being fungible with such series of initial Notes for U.S. federal income tax purposes, Book-Entry Interests in the Regulation S Global Notes that form part of that series, including in respect of investors that hold Book-Entry Interests in the Regulation S Global Notes on or prior to the date of issuance of such additional Notes, will not be eligible for transfer to Book-Entry Interests in a Rule 144A Global Note (if any) representing Notes of that same series. Such a restriction could adversely impact the liquidity of sales of Book-Entry Interests in the Regulation S Global Notes. See "*Book-Entry, Delivery and Form—Transfers*" and "*Description of the Notes—Additional Notes*."

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 Taxing 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 the Guarantees, we may redeem the Notes of any series in whole, but not in part, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to, but excluding, the date of redemption. We are unable to determine whether any such changes to any tax laws will be enacted, but if any such changes occur, the Notes will be redeemable at our option.

Dutch withholding tax may be due on (deemed) payments of interest under the Notes.

Dutch withholding tax (at a rate equal to the highest Dutch corporate income tax rate) may be due on (deemed) payments of interest (including guarantee payments) under the Notes due by (*verschuldigd door*) any guarantor or future guarantor incorporated or organized under the laws of the Netherlands (the "**Dutch Guarantors**") (the **"(Deemed) Payments**") pursuant to the Dutch Withholding Tax Act 2021 (*Wet bronbelasting 2021*) in the following situations:

- in case the relevant Dutch Guarantor is related (*gelieerd*) (within the meaning set out below) to the entity entitled to such (Deemed) Payments (*voordeelgerechtigde*) and such related recipient entity (i) is (deemed) resident in a low tax jurisdiction (*laagbelastende jurisdictie*) or (ii) has a permanent establishment in such low tax jurisdiction to which the interest (or guarantee payment) is allocated (*worden toegerekend*);

- in case the related recipient entity is not (deemed) resident in a low tax jurisdiction, the aforementioned withholding tax nevertheless applies in case (a) such entity is entitled to the (Deemed) Payments with the main purpose or one of the main purposes of avoiding withholding tax in the hands of another person or entity and (b) there is an artificial arrangement or transaction, or a series of artificial arrangements or transactions. An arrangement or transaction, or series of arrangements or transactions, shall be regarded as artificial to the extent that it is not put into place for valid commercial reasons, which reflect economic reality; and/or

- in case a related entity is from a Dutch tax perspective regarded the recipient of the (Deemed) Payments, whereas such related recipient entity is not regarded as the recipient (*gerechtigde*) thereof pursuant to the laws of the country in which such entity is (deemed) resident or pursuant to the laws of which such entity is established (*opgericht*).

No additional amounts shall be payable with respect to any Note in relation to the withholding or deduction for or on account of any tax imposed or to be withheld in the Netherlands pursuant to the Dutch Withholding Tax Act 2021. See "*Description of the Notes—Additional Amounts.*"

Related entities

Entities (*lichamen*) are related for purposes of the application of the Dutch Withholding Tax Act 2021 if (i) the recipient entity (alone or together with other entities forming a cooperating group) has a qualifying interest in the relevant Dutch Guarantor or if (ii) the relevant Dutch Guarantor (alone or together with other entities forming a cooperating group) has a qualifying interest in the recipient entity or if (iii) a third party (alone or together with other entities forming a cooperating group) has a qualifying interest in both the recipient entity as well as the relevant Dutch Guarantor. An interest in an entity is considered a 'qualifying interest' if directly or indirectly the influence in the decision making is such that the decisions of an entity and thus its

activities can be determined. In any case, an interest is qualifying if it represents more than 50% of the statutory voting rights in an entity.

Low tax jurisdictions

A jurisdiction qualifies as a low tax jurisdiction for purposes of the Dutch Withholding Tax Act 2021 if it is listed in an annually updated ministerial decree published by the Dutch government which includes jurisdictions (i) with a profit tax applying a statutory rate of less than 9% (updated annually based on an assessment as of October 1 of the preceding year) or (ii) included on the EU list of non-cooperative jurisdictions in the preceding year.

Upon an IPO Pushdown, certain material Collateral and Guarantees may be released, any retaken Collateral may be subject to hardening periods, and U.S. holders may have U.S. federal income tax consequences.

Under certain circumstances, we may undertake an IPO Pushdown (as defined in "*Description of the Notes*"). See "*Description of the Notes—IPO Pushdown*." The Indenture will provide that upon consummation of an IPO Pushdown, among other things, references to the Parent and the Restricted Subsidiaries (and all related provisions) in the Indenture shall apply only to the IPO Pushdown Entity (as defined in "*Description of the Notes*") and its Restricted Subsidiaries (as defined in "*Description of the Notes*") from time to time (which may not constitute all or substantially all of the Parent's assets). Upon such substitution, each Holding Company (as defined in "*Description of the Notes*") of the IPO Pushdown Entity will be irrevocably and unconditionally released from all obligations under the Indenture, the Intercreditor Agreement and any security granted by any such Holding Company, and the Guarantees and any Collateral provided by such entities will therefore be released, which could materially reduce the Collateral securing the Notes and the Guarantees. Moreover, we may elect to, but are under no obligation to, revoke or otherwise reverse an IPO Pushdown undertaken in contemplation of an IPO Event (as defined in "*Description of the Notes*"), or to replace any Guarantees or Collateral released pursuant thereto, in the event that such IPO Event is not consummated. To the extent that new security documents in respect of any collateral to be retaken (including a pledge over the shares of the Issuer) are entered into, such collateral may be subject to new hardening periods. In addition, the IPO Pushdown may result in a deemed exchange of the Notes for U.S. federal income tax purposes, depending upon the specific circumstances of the IPO Pushdown, and may have tax consequences for U.S. holders (as defined in "*Certain Tax Considerations—Certain U.S. Federal Income Tax Considerations*"), including recognition of gain or loss on such deemed exchange. See "*Certain Tax Considerations—Certain U.S. Federal Income Tax Considerations*."

The incurrence of permitted debt in the future may create or restart hardening periods, i.e. the periods of time following the granting of security interests during which such security interests may be void or subject to challenge in accordance with the laws applicable in England and Wales, Guernsey, Jersey and the Netherlands if the grantor of the security interest enters into an insolvency process.

The granting of shared security interests to secure future indebtedness permitted to be secured by the Collateral may restart or reopen hardening periods, as the Indenture permits the release and retaking of security granted in favor of the Notes in certain circumstances, including

in connection with the incurrence of future indebtedness. The applicable hardening periods for these new security interests can run from the moment each new security interest has been granted or perfected. At each time, if the grantor of the security interest were to enter into an insolvency process before the end of the respective hardening period applicable in such jurisdiction, it may be void or subject to challenge and some or all of the security interests may not be possible to enforce such security interest. The same rights also apply in connection with the accession of subsidiaries as additional Guarantors of the Notes and the granting of security interests over their respective assets and equity interests for the benefit of holders of the Notes.

Risks relating to our structure

The Issuer is a newly formed, wholly owned finance subsidiary that does not have any revenue of its own and will depend on cash from operating companies to be able to make payments on the Notes.

The Issuer is a newly formed, wholly owned finance subsidiary of the Parent with no business operations or significant assets, other than the Notes and the Proceeds Loan. The Issuer will be dependent upon the cash flow from our operating companies to meet its obligations under the Notes. The amount of cash available to the Issuer will depend on the profitability and cash flows of the operating companies in the Group and the ability of those companies to transfer funds under applicable law. The operating companies in the Group, however, may not be able to, or may not be permitted under applicable law to, make distributions or advance loans, directly or indirectly, to the Issuer in order for the Issuer to make payments in respect of the Notes. Various agreements governing the Group's debt may restrict, and, in some cases, may prevent the ability of the members of the Group to transfer funds within the Group. In addition, the members of the Group that do not guarantee the Notes have no obligation to make payments with respect to the Notes.

The Volcker Rule may negatively affect the liquidity and the value of the Notes.

The Issuer may be a "covered fund" as defined under Section 13 of the Bank Holding Company Act of 1956, as amended (together with the rules, regulations and published guidance thereunder, as amended, the "**Volcker Rule**"). The definition of "covered fund" in the Volcker Rule includes, among other things, any entity that would be an investment company under the U.S. Investment Company Act but for the exclusion provided under Section 3(c)(1) or 3(c)(7) thereunder. Because the Issuer and each of the Guarantors relies on Section 3(c)(7) of the U.S. Investment Company Act for their exclusion from registration thereunder (which limits sales of the Notes to "qualified purchasers" as such term is defined in the U.S. Investment Company Act), they will be considered "covered funds" for purposes of the Volcker Rule in the absence of an exclusion from the definition of "covered fund." Accordingly, "banking entities" (as defined under the Volcker Rule) that are subject to the Volcker Rule may be prohibited or limited under the Volcker Rule from, among other things, acquiring or retaining an "ownership interest" in the Issuer or any of the Guarantors as a "covered fund," in the absence of an applicable exemption under the Volcker Rule. Depending on market conditions, this could significantly and negatively affect the liquidity and market value of the Notes and the Guarantees.

"Ownership interest" is broadly defined under the Volcker Rule to include any equity, partnership or other similar interest, and the phrase "other similar interest" is further defined to include, in part, any participation or other interest that entitles the holder of such interest to, among other things: (a) participate in the selection or removal of management or otherwise (other than as a creditor exercising remedies upon an event of default or acceleration event and to participate in the removal of an investment manager for "cause" (as defined therein) or in the selection of a replacement manager upon an investment manager's resignation or removal), (b) share in the income, gains or profits of the "covered fund", (c) receive underlying assets of the "covered fund" after all other interests have been redeemed and/or paid in full (other than as a creditor exercising remedies upon an event of default or acceleration event), (d) receive all or a portion of excess spread (as defined therein), (e) provide under the terms of the interest that the amounts payable by the "covered fund" with respect to the interest can be reduced based on losses arising from the underlying assets of the "covered fund", (f) receive income on a pass-through basis from the "covered fund" or have a rate of return that is determined by reference to the performance of the underlying assets of the "covered fund", or (g) any synthetic right to have, receive or be allocated any of the rights in clauses (a) through (f) above.

On June 25, 2020, the relevant federal regulatory agencies responsible for implementing the Volcker Rule released a final rule to amend certain parts of the Volcker Rule's covered fund related restrictions. The changes are intended to improve and streamline certain aspects of the "covered funds" portion of the Volcker Rule, including by, among other aspects, making modifications to certain existing exclusions from the definition of "covered fund," creating certain new exclusions from the definition of "covered fund," and making certain clarifications to the definition of "ownership interest." The final rule became effective on October 1, 2020.

The Volcker Rule may restrict or discourage the acquisition of Notes and the Guarantees by "banking entities" and may adversely affect the liquidity of the Notes and the Guarantees. Each purchaser of the Notes must make its own determination as to whether it is a "banking entity" subject to the Volcker Rule and, if applicable, the potential impact of the Volcker Rule on its ability to purchase or retain any such Notes. Investors in the Notes and the Guarantees are responsible for analyzing their own regulatory position and any liquidity in connection therewith and on its portfolio generally, and should consult with their own counsel as to the potential consequences of the Volcker Rule before making an investment decision. Neither the Issuer nor the Guarantors, the Initial Purchasers, the Security Agent, the Trustee or any of their respective affiliates makes any representation to any prospective investor or purchaser of the Notes and the Guarantees regarding the treatment of the Issuer or any of the Guarantors under the Volcker Rule, or to such investor's investment in the Notes and the Guarantees on the Issue Date or at any time in the future.

The interests of our controlling shareholder may differ from the interests of the holders of the Notes.

TDR Capital indirectly beneficially owns approximately 90.72% of the outstanding shares of the Issuer. As a result, TDR Capital is able to control matters requiring shareholder approval, including the election and removal of our directors, our corporate and management policies, potential mergers or acquisitions, payment of dividends, asset sales and other significant corporate transactions. The interests of TDR Capital may differ from yours in material respects. For example, if we encounter financial difficulties or are unable to pay our debts as they mature, the interests of

TDR Capital, as ultimate majority shareholder, may be in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investment, even though such transactions might involve risks to you as a holder of Notes. TDR Capital has no contractual obligations to fund our business and may not have sufficient liquidity to fund our business, if we require additional funding. Additionally, the Indenture will permit us to pay management fees, dividends or make other restricted payments under certain circumstances, and TDR Capital may have an interest in us doing so. See "*Certain Relationships And Related Party Transactions*."

Furthermore, TDR Capital and its affiliates are in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly and indirectly with us, or with which we conduct business. TDR Capital and its affiliates may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. You should consider that the interests of TDR Capital and its affiliates may differ from yours in material respects. See "*Principal Shareholders*" and "*Certain Relationships And Related Party Transactions*."

We may not be able to obtain the funds required to repurchase the Notes upon a change of control.

The Indenture will contain provisions relating to certain events constituting a "change of control" of the Parent. Upon the occurrence of a change of control, we will be required to offer to repurchase all outstanding Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the date of repurchase. If a change of control were to occur, 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 our Revolving Facility Agreement, the Indenture, the Intercreditor Agreement or our other then-existing contractual obligations would allow us to make such required repurchases. A change of control may result in an event of default under, or acceleration of, our Revolving Facility and 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. The ability of the Issuer to receive cash from members of the Group 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 Revolving Facility Agreement, under certain circumstances, we are required to repay an equal amount of debt and cancel the corresponding commitments under our Revolving Facility Agreement 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. If an event constituting a change of control occurs at a time when the Group is prohibited from providing funds to the Issuer for the purpose of repurchasing the Notes, we may seek the consent of the lenders under such indebtedness to the purchase of the Notes or 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. 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 the Group would be able to obtain such financing. Any failure by the Issuer to offer to purchase the Notes would constitute a default under the Indenture, which would, in turn, constitute a default under the Revolving Facility Agreement. See "*Description of the Notes—Change of Control*."

The change of control provision to be contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "Change of Control" under 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.

In addition, the occurrence of certain events that might otherwise constitute a change of control will be deemed not to be a change of control if a defined consolidated leverage ratio does not exceed a certain level in connection with such event. In the event the Parent is sold to a new investor, irrespective of whether such sale constitutes a change of control under the Indenture, no assurance can be given that any such investor will continue to implement our current business and financial strategy. See "*Description of the Notes—Change of Control*" and "*Description of the Notes—Certain definitions—Specified Change of Control Event*."

The definition of "Change of Control" in the Indenture will include a disposition of all or substantially all of the assets of the Parent and its Restricted Subsidiaries, taken as a whole, to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase 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 Parent's and its Restricted Subsidiaries' assets, taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

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 (the "**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 the Regulation of 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.

English, Guernsey, Jersey, Portuguese and Dutch insolvency laws may provide you with less protection than U.S. bankruptcy law.

The Issuer and the Guarantors are incorporated under the laws of England and Wales, Guernsey, Jersey, the Netherlands and Portugal. Accordingly, insolvency proceedings with respect to any of those entities would be likely to proceed under, and be governed by, English, Guernsey, Jersey, Dutch or Portuguese insolvency law. English, Guernsey, Jersey, Dutch and Portuguese insolvency law are not identical to, and insolvency outcomes may vary from, the laws of the United States or other jurisdictions with which investors are familiar. In the event that any one or more of the Issuer or Guarantors experiences financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings or whether English, Guernsey, Jersey, Portuguese or Dutch insolvency laws would be favorable to your interests.

In the event that any one or more of the Issuer, the initial Guarantors, any future Guarantors, if any, or any other of the Parent's subsidiaries were to experience 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. Future Guarantees and Collateral to be provided by entities organized in jurisdictions not discussed in this Offering Memorandum will also be subject to material limitations pursuant to their terms, by statute or otherwise. Any enforcement of such Guarantees or security after bankruptcy or an insolvency event in such other jurisdictions will be subject to the insolvency laws of the relevant entity's jurisdiction of organization or other jurisdictions. The insolvency and other laws of each of these jurisdictions may be materially different from, or in conflict with, each other, including in the areas of rights of secured and other creditors, the ability to void preferential transfer, priority of

governmental and other creditors, ability to obtain post-petition interest and 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 Guarantees or the Collateral in these jurisdictions and limit any amounts that you may receive. See "*Limitations on Validity and Enforceability of Guarantees and Security and Certain Insolvency Law Considerations*."

Each Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.

Each Guarantee will provide the holders of the Notes with a direct claim against the relevant Guarantor. However, the Indenture will provide that each Guarantee will be limited to the maximum amount that can be guaranteed by the relevant Guarantor without rendering the relevant Guarantee, as it relates to that Guarantor, voidable or otherwise ineffective or limited under applicable law, and enforcement of each Guarantee would be subject to certain generally available defenses. See "*Limitations on Validity and Enforceability of Guarantees and Security and Certain Insolvency Law Considerations*."

Enforcement of any of the Guarantees against any Guarantor will be subject to certain defenses available to Guarantors in the relevant jurisdiction. Although laws differ among these jurisdictions, these laws and defenses generally include those that relate to corporate purpose or benefit, fraudulent conveyance or transfer (or similar), voidable preference (or similar), insolvency or bankruptcy challenges, financial assistance, preservation of share capital, thin capitalization, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally. If one or more of these laws and defenses are applicable, a Guarantor may have no liability or decreased liability under its Guarantee depending on the amounts of its other obligations and applicable law. Limitations on the enforceability of judgments obtained in New York courts in such jurisdictions could limit the enforceability of any Guarantee against any Guarantor. In addition, the laws, regulations or other governmental measures introduced in response to the COVID-19 pandemic may have the effect of imposing a moratorium on or otherwise delaying or limiting the ability to enforce or pursue certain remedies in respect of the Guarantees.

Although laws differ among various jurisdictions, in general, under bankruptcy or insolvency law and other laws, a court could potentially (i) avoid or invalidate all or a portion of a Guarantor's obligations under its Guarantee, (ii) direct that the holders of the Notes return any amounts paid under a Guarantee to the relevant Guarantor or to a fund for the benefit of the Guarantor's creditors or (iii) take other action that is detrimental to you, if the court found that:

- the relevant Guarantee was incurred with an actual desire to prefer one creditor over another and the Guarantor was insolvent or rendered insolvent because of the relevant Guarantee, incurred with the purpose of putting assets out of reach of or otherwise prejudicing creditors or shareholders of the Guarantor or, in certain jurisdictions, when the granting of the Guarantee has the effect of giving a creditor a preference or when the recipient was aware that the Guarantor was insolvent when it granted the relevant Guarantee (and subject, in most cases, to the Guarantee having been granted within the applicable "hardening period");

- the Guarantor did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Guarantee and the Guarantor was: (i) insolvent or rendered insolvent because of the relevant Guarantee; (ii) undercapitalized or became undercapitalized because of the relevant Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity (and subject, in most cases, to the Guarantee having been granted within the applicable "hardening period");

- the relevant Guarantee was held to exceed the corporate objects of the Guarantor or not to be in the best interests or for the corporate benefit of the Guarantor; or

- the amount paid or payable under the relevant Guarantee was in excess of the maximum amount permitted under applicable law.

These or similar laws may also apply to any future guarantee granted by any of our subsidiaries pursuant to the Indenture.

We cannot assure you which standard a court would apply in determining whether a Guarantor was "insolvent" at the relevant time or that, regardless of method of valuation, a court would not determine that a Guarantor was insolvent on that date, or a that a court would not determine, regardless of whether or not a Guarantor was insolvent on the date its Guarantee was granted, that payments to holders of the Notes constituted preferences, fraudulent transfers or conveyances or similar on other grounds.

The liability of each Guarantor under its Guarantee will be limited to the amount that will result in such Guarantee not constituting a preference, fraudulent conveyance or improper corporate distribution or otherwise being set aside. However, there can be no assurance as to what standard a court will apply in determining the maximum liability of each Guarantor. There is a possibility that the entire Guarantee may be set aside, in which case the entire liability may be extinguished.

If a court were to decide that a Guarantee was a preference, fraudulent transfer or conveyance or similar and voided such Guarantee, or held it unenforceable for any other reason, you may cease to have any claim against the relevant Guarantor and would be a creditor solely of the Issuer and, if applicable, of any other Guarantor under the relevant Guarantee if and to the extent that it has not been declared void. In the event that any Guarantee is invalid or unenforceable, in whole or in part, or to the extent the agreed limitation of the Guarantee obligations apply, the Notes would be effectively subordinated to all liabilities of the applicable Guarantor, and if we cannot satisfy our obligations under the Notes or any Guarantee is found to be a preference, fraudulent transfer or conveyance or is otherwise set aside, we cannot assure you that we can ever repay in full any amounts outstanding under the Notes.

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, Guernsey, Jersey and Dutch or other applicable law. In addition, enforcement of the security and/or recourse to the proceeds 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 (or similar), fraudulent conveyance or transfer (or similar), financial assistance, corporate purpose or benefit, the preservation of share capital, thin capitalization and defenses affecting the rights of creditors generally.

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

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

- the original issue price for the Notes; and
- that portion of the original issue discount (the "**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 may 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 the Unrestricted Subsidiaries and Permitted Purchase Obligations SPVs.

At the Issue Date, the Initial Guarantors will guarantee the Notes, and as soon as reasonably practicable after the Re-Registration Date, and in any case no later than 120 days after the Re-Registration Date, the Additional Guarantors will guarantee the Notes. However, not all members of the Target Group will guarantee the Notes, and, under various circumstances, the Guarantees may be released and newly incorporated direct or indirect subsidiaries of the Parent may not be required to guarantee the Notes. See "*Description of the Notes*."

Unless a company is a Guarantor, such company will not have any obligation to pay amounts due under the Notes or to make funds available for that purpose. Generally, holders of indebtedness of, and trade creditors of, the Unrestricted Subsidiaries, including lenders under our finance facilities and bank financing agreements, are entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to any Guarantor, as a direct or indirect shareholder.

In addition, our Permitted Purchase Obligations SPVs may and do incur Permitted Purchase Obligations. Our Permitted Purchase Obligations SPVs, which are not consolidated subsidiaries, will not be Guarantors, and therefore will not have any obligation to pay amounts due under the Notes or to make funds available for that purpose. Generally, holders of indebtedness of such Permitted Purchase Obligations SPVs are entitled to payments of their claims from the assets of such entities 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 or any Permitted Purchase Obligations SPV 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 the holders of the Notes) and the Guarantors will have no right to proceed against the assets of such subsidiary or entity; and

- creditors of such non-Guarantor subsidiary, including trade creditors, or creditors of such Permitted Purchase Obligations SPV, as applicable, will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary or entity, as applicable, before any Guarantor, as a direct or indirect shareholder, will be entitled to receive any distributions from such subsidiary or entity.

As such, the Notes and each Guarantee will be structurally subordinated to the creditors (including trade creditors) and any preferred stockholders of the Unrestricted Subsidiaries and Permitted Purchase Obligations SPVs. In addition, the Indenture and the Revolving Facility Agreement will, subject to certain limitations, permit these Unrestricted Subsidiaries and Permitted Purchase Obligations SPVs to incur substantial additional indebtedness without such incurrence constituting a default under the Indenture, and such indebtedness may also be secured. The Indenture and the Revolving Facility Agreement will not contain any limitation on the amount of other liabilities, such as deposits and trade payables, that may be incurred by these subsidiaries and entities.

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

The Notes will be denominated and payable in euros (with respect to the Euro Fixed Rate Notes and the Euro Floating Rate Notes) and in pound sterling (with respect to the Sterling Notes). 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 sterling or the euro, relative to other relevant currencies because of economic, political or other factors over which we have no control. Depreciation of the euro or pound sterling 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.

There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantees will be released automatically, without your consent or the consent of the Trustee.

Under various circumstances, Collateral securing the Notes and the Guarantees will be released automatically, including:

- in connection with any sale or other disposition of the property or assets constituting Collateral, if the sale or other disposition does not violate the "*Limitation on sale of assets and Subsidiary stock*" covenant or other provisions of the Indenture;

- in the case of a Guarantor that is released from its Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and share capital, of such Guarantor;

- if the Parent designates any Restricted Subsidiary (as defined in "*Description of the Notes*") to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property, assets and share capital of such subsidiary;

- upon payment in full of principal, interest and all other obligations in respect of the Notes, legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided under the captions "*Description of the Notes—Defeasance*," and "*Description of the Notes—Satisfaction and discharge*;" or

- in connection with an enforcement sale pursuant to the Intercreditor Agreement or otherwise as contemplated in the Intercreditor Agreement.

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

- in the case of a Subsidiary Guarantee (as defined in "*Description of the Notes*") only, in connection with any sale or other disposition of all or substantially all of the assets of a Guarantor (including by way of merger or consolidation) or the share capital of that Guarantor to a person that is not (either before or after giving effect to such transaction) the Parent or a Restricted Subsidiary of the Parent, if the sale or other disposition does not violate the "*Limitation on sale of assets and Subsidiary stock*" covenant of the Indenture and the relevant Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;

- in the case of a Subsidiary Guarantee only, if the Parent designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture;

- upon payment in full of principal, interest and all other obligations in respect of the Notes, legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided under the captions "*Description of the Notes—Defeasance*," and "*Description of the Notes—Satisfaction and discharge*;" or

- in connection with an enforcement sale pursuant to the Intercreditor Agreement.

In addition, the Guarantees will each be subject to release upon enforcement sale as contemplated under the Intercreditor Agreement. Unless consented to, the Intercreditor Agreement will provide that the Trustee or Security Agent, as applicable, shall not, in an enforcement scenario, exercise its rights to release the relevant Guarantees or security interests in the Collateral unless the relevant sale or disposal is made:

- for consideration all or substantially all of which is in the form of cash; and
- pursuant to a public auction, or a fairness opinion has been obtained from an internationally recognized investment bank or accounting firm selected by the Security Agent.

See "*Description of Other Indebtedness—Intercreditor Agreement*" and "*Description of 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 the book-entry interests will not be considered owners or holders of Notes unless and until definitive notes are issued in exchange for book-entry interests. Instead, the common depositary (or its nominee) for Euroclear and Clearstream will be the sole registered holder of the Notes in global form.

Payments of principal, interest and other amounts owing on or in respect of the Notes in global form will be made to the Paying Agent, which will make payments to the common depositary for Euroclear and Clearstream. Thereafter, such payments will be credited to Euroclear and Clearstream participants' accounts that hold book-entry interests in the Notes in global form and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, none of the Issuer, the Guarantors, the Trustee, the Paying Agent or any other paying agent will have any responsibility or liability for any aspect of the records relating to or payments of interest, principal or other amounts to Euroclear and Clearstream, or to owners of book-entry interests. Accordingly, if you own a book-entry interest in the Notes, you must rely on the procedures of Euroclear and Clearstream and, if you are not a participant in Euroclear and/or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Indenture.

Owners of book-entry interests will not have the direct right to act upon our solicitations for consents or requests for waivers or other actions from holders of the Notes, including enforcement of security for the Notes and the Guarantees. Instead, if you own a book-entry interest, you will be reliant on the common depositary (as registered holder of the Notes) to act on your instructions and will be permitted to act directly only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream or, if applicable, from a participant. We cannot

assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions or to take any other action on a timely basis.

There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.

We cannot assure you as to the liquidity of any market in the Notes, your ability to sell your Notes or the prices at which you would be able to sell your Notes.

Future trading prices for the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. The trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the Notes, regardless of our prospects and financial performance. As a result, there is no assurance that there will be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your holding of the Notes at a fair value, if at all.

Although an application will be made to the Authority for the listing of and permission to deal in the Notes on the Official List of the Exchange, we cannot assure you that the Notes will be or remain listed. Although no assurance is made as to the liquidity of the Notes as a result of the permission to deal in the Notes on the Official List of the Exchange being granted, failure to be approved for listing or the delisting (whether or not for an alternative admission to listing on another stock exchange) of the Notes, as applicable, from the Official List of the Exchange may have a material effect on a holder's ability to resell the Notes, as applicable, in the secondary market.

In addition, the Indenture will allow us to issue additional notes in the future, which could adversely impact the liquidity of the Notes. See "*Description of the Notes—Additional Notes*."

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 "*Notice to investors*" and "*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.

Investors may not be able to recover in civil proceedings for U.S. securities law violations.

The Issuer and the Guarantors and their respective subsidiaries are organized outside the United States, and their business is conducted outside the United States. The majority of the directors and executive officers of the Issuer and the Guarantors are non-residents of the United States. Although the Issuer and the Guarantors will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws or under the Indenture, you may be unable to effect service of process within the United States on the majority of the directors and executive officers of the Issuer and the Guarantors. In addition, because the majority of the assets of the Issuer and the Guarantors and the majority of the assets of their directors and executive officers are located outside of the United States, you may be unable to enforce against them judgments obtained in the U.S. courts. Moreover, in light of recent decisions of the U.S. Supreme Court, actions of the Issuer and the Guarantors may not be subject to the civil liability provisions of the federal securities laws of the United States. See "*Service of Process and Enforcement of Civil Liabilities*."

Investors in and purchasers of the Notes may have limited or no recourse against our independent auditors.

See "*Independent Auditors*" for a description of the independent auditors' reports, including language limiting the independent auditors' scope of responsibility in relation to their audit work. Investors in and purchasers of the Notes may have limited or no recourse against the independent auditors.

Investors in and purchasers of the Notes should understand that consistent with guidance issued by ICAEW, the Institute of Chartered Accountants in England and Wales, the independent auditors' reports included elsewhere in this Offering Memorandum each state that: the report has been prepared for the named parties (the "**Addressees**") solely in response to a request from the Addressees for an opinion from the independent auditors on the truth and fairness of the non-statutory directors' reports and financial statements; that the report was designed to meet the agreed requirements of the Addressees determined by their needs at the time; the report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against the independent auditors other than the Addressees for any purpose or in any context; any

party other than the Addressee(s) who obtains access to the report or a copy and chooses to rely on the report (or any part of it) will do so at its own risk; and to the fullest extent permitted by law, the independent auditors will accept no responsibility or liability in respect of the report to any other party. In the context of the Offering, the independent auditors have reconfirmed to us that they do not intend their duty of care in respect of their audits to extend to any party, such as investors in and purchasers of the Notes, other than the Addressees of their reports.

Without in any way, or on any basis, affecting, adding to or extending the independent auditors' duties and responsibilities to the Addressees or giving rise to any duty or responsibility being accepted or assumed by or imposed on the independent auditors to any party except the Addressees, the independent auditors have provided consent to the Issuer's inclusion, independently of the independent auditors, of the audit reports with the non-statutory historical financial statements to which they relate in this Offering Memorandum for a proposed issuance of Notes, thereby demonstrating that an audit of the non-statutory directors' reports and financial statements for each relevant period has been undertaken for the Addressees. The consent provided by the independent auditors is different from a consent filed with the SEC under Section 7 of the U.S. Securities Act, which is applicable only to transactions involving securities registered under the U.S. Securities Act. As the Notes have not been and will not be registered under the U.S. Securities Act, the independent auditors have not filed a consent under Section 7 of the U.S. Securities Act. The independent auditors' reports on the historical financial statements as of and for the years ended December 31, 2018, 2019 and 2020, are included elsewhere in this Offering Memorandum.

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 set out above, the recourse that investors in and purchasers of the Notes may have against the independent auditors based on their reports or the non-statutory directors' reports and financial statements to which they relate could be limited. The extent to which independent auditors may have responsibility or liability to third parties can be unclear under the laws of many jurisdictions, including the United Kingdom. The inclusion of the language referred to above, however, may limit the ability of holders of the Notes to bring any action against the independent auditors for damages arising out of an investment in or purchase of the Notes.

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

In 2013, the European Commission published a proposal for a Directive for a common financial transactions tax (the "**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States). However, Estonia has since stated that it will not participate.

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

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

The FTT proposal remains subject to negotiation between the participating Member States and may therefore be altered prior to any implementation, the timing of which remains unclear. Additional Member States may decide to participate, although certain Member States have expressed strong objections to the proposal. It is unclear whether, and if so when and in what form, an FTT could be imposed. Holders of the Notes are advised to seek their own professional advice in relation to the FTT.

USE OF PROCEEDS

We estimate that we will receive gross proceeds of approximately £1,232 million (equivalent) from the Offering (assuming an exchange rate of €1.1785 to £1.00, based on the Bloomberg Composite Rate (New York) as of October 12, 2021), before deducting the Initial Purchasers' discounts and commissions, and other fees and expenses payable by us. The gross proceeds of the Offering will be used by the Issuer (i) to provide the Proceeds Loan to Finco on or about the Issue Date and (ii) to pay certain fees and expenses associated with the Offering. Finco will use the proceeds from the Proceeds Loan (i) to repay a portion of the amounts outstanding under the Revolving Facility, (a) certain of which was on-lent to Bidco and was used by Bidco to finance a portion of the costs in connection with the Transactions (other than the Offering) and (b) certain of which was on-lent to the Target Group to repay and cancel the Arrow Global Revolving Credit Facility and (ii) to provide the Target Loans to the Target Group to redeem and cancel the Existing Notes.

The following table illustrates the sources and uses related to the Transactions. Actual amounts may vary from estimated amounts depending on several factors, including the actual amount of expenses related to the Transactions and rounding effects. See also "*Summary—The Transactions*" and "*Capitalization*."

Sources of funds	Amount[1]	Uses of funds	Amount[1]
	(£m)		(£m)
Euro Floating Rate Notes offered hereby[2]	543	Redemption of Existing Notes[7]	971
Euro Fixed Rate Notes offered hereby[3]	339	Repayment of Arrow Global Revolving Credit Facility[8]	231
Sterling Notes offered hereby[4]	350	Acquisition Consideration[9]	565
Revolving Facility[5]	55	Estimated fees and expenses[10]	85
Equity Contribution[6]	565		
Total sources	**1,852**	**Total uses**	**1,852**

(1) Euro amounts have been converted to sterling amounts at a rate of €1.1785 to £1.00 (based on the Bloomberg Composite Rate (New York) as of October 12, 2021). You should not view such translations as a representation that such sterling amounts actually represent such converted euro amounts, or could be or could have been converted into sterling at the rate indicated or at any other rate.

(2) Represents the equivalent aggregate principal amount of the Euro Floating Rate Notes, assuming an issuance at par.

(3) Represents the equivalent aggregate principal amount of the Euro Fixed Rate Notes, assuming an issuance at par.

(4) Represents the aggregate principal amount of the Sterling Notes, assuming an issuance at par.

(5) On October 6, 2021, Finco entered into the Revolving Facility Agreement which provides for a £285 million (equivalent) Revolving Facility. On or about October 19, 2021, Finco drew a total of £263.6 million (equivalent) under the Revolving Facility consisting of drawings of £189.7 million and €87.1 million (£73.9 million equivalent) in order to bridge certain amounts prior to the Offering of the Notes; the proceeds of the drawings were (i) on-lent to Bidco in order for Bidco to finance a portion of the costs in connection with the Transactions and (ii) a total of £231.4 million (equivalent) consisting of £157.5 million and €87.1 million (£73.9 million equivalent) of the drawings under the Revolving Facility were on-lent to the Target Group to repay and cancel the Arrow Global Revolving Credit Facility. On the Issue Date, the proceeds of the Offering will be used to repay a portion of the Revolving Facility. See note (8) below. Upon repayment of the Revolving Facility from the proceeds of the Offering, £55 million will remain outstanding under the Revolving Facility as of the Issue Date.

(6) The Equity Contribution consisted of £565 million in funds contributed in Bidco in the form of (i) £513 million of equity invested indirectly through Midco by investment funds managed or advised by TDR Capital on or about October 15, 2021, for purposes of financing the Acquisition consideration and (ii) £52 million equity contributed in Topco by the Stub Equity Shareholders pursuant to the Alternative Offer.

(7) Represents the repayment in full of outstanding amounts of (i) £322.5 million under the 2024 Notes, and comprises a principal amount of £320.0 million, and accrued interest of £2.5 million, (ii) €401.2 million under the 2025 Notes, and comprises a principal amount of €400.0 million, and accrued interest of €1.2 million and (iii) €362.6 million under the 2026 Notes, and comprises a principal amount of €360.0 million, and accrued interest of €2.6 million (in each case, to, but excluding, the redemption date of November 8, 2021).

(8) Represents the repayment in full of the outstanding amount of £231 million (equivalent) under the £285.0 million Arrow Global Revolving Credit Facility, and comprises a principal amount of £231.0 million, and accrued interest of £0.4 million (to, but excluding, the repayment date of October 19, 2021). On or about October 19, 2021, the Arrow Global Revolving Credit Facility was repaid and cancelled in full with certain of the proceeds of the Revolving Facility.

(9) Represents the aggregate purchase price for the 183,877,339 shares of the Target, equal to 100% of the total shares of the Target, at a purchase price per share equal to 307.5p.

(10) Represents fees and expenses incurred in connection with the Acquisition, which were payable immediately on completion of the Acquisition, as well as estimated fees and expenses in relation to the Offering, including fees and commissions payable to the Initial Purchasers, advisory

fees and other transaction costs and professional fees. £75 million of the estimated fees and expenses comprise uncapitalized debt issuance costs and will be capitalized over the life of the Notes. The actual amount of transaction fees and expenses may differ from the estimated amount depending on several factors, including differences from our estimates of fees and expenses and the actual fees and expenses as at the completion of the various transactions referred to in the table above.

CAPITALIZATION

The following table sets forth the consolidated cash and equivalents, capitalization and certain other balance sheet information of:

- the Target Group on an actual basis as of June 30, 2021;
- the Group on an as adjusted basis to give effect to the Transactions as described in "*Summary—The Transactions*" as if they had occurred on June 30, 2021.

As adjusted information below is illustrative only and does not purport to be indicative of the capitalization of the Group following the completion of the foregoing. All amounts in the table below are presented assuming an exchange rate of €1.1785 to £1.00 (based on the Bloomberg Composite Rate (New York) as of October 12, 2021).

You should read this table together with the sections of this Offering Memorandum entitled "*Use of Proceeds*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*" and with the Target Group's consolidated financial statements and related notes included elsewhere in this Offering Memorandum.

	As of June 30, 2021[1]		
	Target Group Actual	**Adjustments for the Transactions**	**Group As Adjusted**
		(£ in millions)	
Cash and cash equivalents[2]	**118**	—	**118**
Debt			
Existing Notes[3]	967	(967)	—
Arrow Global Revolving Credit Facility[4]	202	(202)	—
Miscellaneous Facilities (including other borrowings)[5]	6	—	6
Non-Recourse Facilities[6]	94	—	94
Bridge Facilities Agreement[7]	—	—	—
Revolving Facility Agreement[8]	—	21	21
Euro Floating Rate Notes offered hereby[9]	—	543	543
Euro Fixed Rate Notes offered hereby[9]	—	339	339
Sterling Notes offered hereby[9]	—	350	350
Total debt	**1,269**		**1,353**
Total equity attributable to shareholders[10]	**109**	**380**	**489**
Total capitalization	**1,378**		**1,842**

(1) The amounts set forth in "*Use of Proceeds*" are anticipated amounts as of the Issue Date, while the amounts set forth in the table above present our cash and cash equivalents and capitalization as of June 30, 2021, (i) on an actual basis for the Target Group and (ii) as adjusted for the Transactions at the Group level.

(2) As of June 30, 2021, our cash and cash equivalents were £118 million. Cash and cash equivalents as of June 30, 2021, after giving effect to the Transactions, may differ from the amounts presented above due to, among other reasons, differences resulting from the actual transaction fees and expenses compared to the assumptions detailed herein. Given ordinary course movements in our cash and cash equivalents, the adjusted amount of cash presented in the table above is not illustrative of the actual amount of cash as of the date of this Offering Memorandum.

(3) Represents the carrying value of the 2024 Notes, the 2025 Notes and the 2026 Notes as of June 30, 2021. Presented as "Senior secured notes" in the Target Group's consolidated financial statements. See "*Presentation of Financial and Other Information—Financial Information for the Target Group*." Upon completion of the Offering, the 2024 Notes, the 2025 Notes and the 2026 Notes will be repaid in full, together with accrued and unpaid interest, with a portion of the proceeds of the Notes. See "*Use of Proceeds*."

(4) Represents the outstanding amount of the Arrow Global Revolving Credit Facility as of June 30, 2021. Presented as "Revolving Credit Facility" in the Target Group's consolidated financial statements. See "*Presentation of Financial and Other Information—Financial Information for the Target Group*." As of the date of repayment of the Arrow Global Revolving Credit Facility, there have been additional drawings under the Arrow Global Revolving Credit Facility to fund the ongoing requirements of the business, including the acquisition of

portfolio investments. The adjustment represents the full repayment of the outstanding borrowings under the Arrow Global Revolving Credit Facility (including capitalized debt financing costs). On or about October 19, 2021, the Arrow Global Revolving Credit Facility was repaid and cancelled in full with a portion of the proceeds of the Revolving Facility.

(5) Represents the outstanding amount of the Miscellaneous Facilities and certain other borrowings as of June 30, 2021, to be rolled-over post-Acquisition and post-Offering. Presented as "Bank overdrafts" and "Other Borrowings" in the Target Group's consolidated financial statements. See "*Presentation of Financial and Other Information—Financial Information for the Target Group*."

(6) Represents the outstanding amount of the Non-Recourse Facilities, to be rolled-over post-Acquisition and post-Offering. Presented as "ABS loans" in the Target Group's consolidated financial statements. See "*Presentation of Financial and Other Information—Financial Information for the Target Group*."

(7) As of the date of this Offering Memorandum, the full amount of €975 million and £400 million under the Bridge Facilities remains undrawn. The commitments under the Bridge Facilities will be cancelled upon completion of the Offering on the Issue Date.

(8) Represents the excess drawings required under the Revolving Facility as of June 30, 2021 (excluding any unamortized debt financing costs) as if the Transactions had taken place on June 30, 2021. On or about October 19, 2021, Finco drew a total of £263.6 million (equivalent) drawings under the Revolving Facility consisting of £189.7 million and €87.1 million (£73.9 million equivalent) in order to bridge certain amounts prior to the Offering of the Notes; a total of £231.4 million (equivalent) consisting of £157.5 million and €87.1 million (£73.9 million equivalent) of the drawings under the Revolving Facility were on-lent to the Target Group to repay and cancel the Arrow Global Revolving Credit Facility. See note (3) above. On the Issue Date, the proceeds of the Offering will be used to repay a portion of the Revolving Facility. As a result, upon completion of the Transactions, including repayment of the Revolving Facility from the proceeds of the Offering, £55 million will remain outstanding under the Revolving Facility as of the Issue Date (excluding any unamortized debt financing costs).

(9) Represents the aggregate principal amount of each of the Euro Floating Rate Notes, the Euro Fixed Rate Notes and the Sterling Notes offered hereby (excluding any unamortized debt issuance costs).

(10) Represents the equity of the Target Group as of June 30, 2021, as adjusted to give effect to the implied equity value of the Target, which is £489 million, an increase of £380 million over the shareholders' equity of the Target as of June 30, 2021 representing the Equity Contribution of £565 million in connection with the Acquisition, less uncapitalized transaction expenses estimated at £75 million. The Adjustments for the Transactions therefore represent the replacement of the Target Group's equity with the anticipated equity of the Group, less uncapitalized expenses.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following tables summarize the Target Group's historical consolidated financial information as of the dates and for the periods indicated, which has been derived from the Target Group's audited consolidated financial statements as of and for the years ended December 31, 2018, 2019 and 2020 and as of and for the six months ended June 30, 2020 and 2021, and the related notes, in each case, included elsewhere in this Offering Memorandum. We have also presented certain information for the twelve months ended June 30, 2021, in order to facilitate a comparison of the Target Group's results of operations for such periods with other periods presented. The information for the twelve months ended June 30, 2021, has been derived by subtracting the Target Group's six months ended June 30, 2020, results of operations data from the Target Group's results of operations data for the year ended December 31, 2020, and adding the Target Group's results of operations data for the six months ended June 30, 2021.

The Target Group's results of operations for prior periods are not necessarily indicative of the results to be expected for any future period. For further information on the basis of presentation of the Target Group's consolidated financial statements, see "*Presentation of Financial and Other Information*."

The following financial information should be read in conjunction with the Target Group's financial statements included elsewhere in this Offering Memorandum and with "*Presentation of Financial and Other Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*."

Consolidated Statement of Profit or Loss and Other Comprehensive Income Data

	For the year ended December 31,			For the six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
		(£'000)		**(£'000)**	
Income from portfolio investments at amortized costs[1]	193,932	199,094	164,597	91,015	68,570
Fair value gains on portfolio investments at FVTPL	24,745	32,397	4,976	(12,841)	23,419
Impairment (losses)/gains on portfolio investments	50,727	12,714	(100,436)	(120,753)	17,655
Income from real estate inventories	—	561	492	167	1,033
Total income from portfolio investments	**269,404**	**244,766**	**69,629**	**(42,412)**	**110,677**
Income from asset management and servicing and fund and investment management	91,661	94,360	97,026	45,458	55,646
Gain on disposal of leases	—	—	453	—	—
Profit on sale of property	731	—	—	—	—
Other income	—	392	384	341	9
Total income	**361,796**	**339,518**	**167,492**	**3,387**	**166,332**
Operating expenses:					
Collection Activity and Fund Management Costs	(119,041)	(131,527)	(130,572)	(64,279)	(66,400)
Other operating expenses	(135,972)	(102,173)	(94,248)	(48,040)	(69,185)
Total operating expenses	**(255,013)**	**(233,700)**	**(224,820)**	**(112,319)**	**(135,585)**
Operating profit/(loss)	106,783	105,818	(57,328)	(108,932)	30,747
Finance income	76	61	61	21	4
Finance costs	(66,868)	(54,559)	(57,556)	(27,031)	(30,241)
Profit/(loss) before tax	**39,991**	**51,320**	**(114,823)**	**(135,942)**	**510**
Taxation credit/(charge) on ordinary activities	(10,022)	(14,033)	21,206	25,509	(1,375)
Profit/(loss) after tax	**29,969**	**37,287**	**(93,617)**	**(110,433)**	**(865)**

	For the year ended December 31,			For the six months ended June 30,	
	2018	2019	2020	2020	2021
	(£'000)			(£'000)	
Other comprehensive income:					
Items that are or may be reclassified subsequently to profit or loss:					
Foreign exchange translation difference arising on revaluation of foreign operations	1,370	(7,077)	6,741	9,534	(6,466)
Movement on hedging reserve	(241)	161	356	167	35
Total comprehensive income/(loss)	**31,098**	**30,371**	**(86,520)**	**(100,732)**	**(7,296)**
Profit/(loss) after tax attributable to:					
Owners of the Company	29,969	35,223	(92,829)	(109,771)	(938)
Non-controlling interest	—	2,064	(788)	(662)	73
	29,969	**37,287**	**(93,617)**	**(110,433)**	**(865)**

Consolidated Balance Sheet Data

	As of December 31,			As of June 30,	
	2018	2019	2020	2020	2021
	(£'000)			(£'000)	
Assets					
Portfolio investments – amortized cost	869,056	932,199	793,554	809,792	735,353
Portfolio investments – FVTPL	217,974	169,799	187,421	152,050	239,322
Portfolio investments – real estate inventories	—	61,626	61,240	65,486	53,351
Total Portfolio investments	1,087,030	1,163,624	1,042,215	1,027,328	1,028,026
Liabilities					
Senior secured notes[1]	926,340	897,875	930,575	937,831	967,059
Revolving credit facility (net of issuance costs)	242,121	230,963	277,552	280,788	201,504
Asset-Backed loans	—	84,077	143,985	91,950	93,856
Bank overdrafts	2,696	1,386	3,648	4,198	3,094
Other borrowings[2]	11,635	3,672	3,247	4,365	2,487

(1) The 2024 Notes, the 2025 Notes and the 2026 Notes are presented as "Senior secured notes" in the Target Group's consolidated financial statements. See "*Presentation of Financial and Other Information—Financial Information for the Target Group*."

(2) Other borrowings represent borrowings by certain SPVs that we do not control, but are consolidated in our financial statements for accounting purposes.

Consolidated Statement of Cash Flow Data

	For the year ended December 31,			For the six months ended June 30,	
	2018	2019	2020	2020	2021
	(£'000)			(£'000)	
Net cash generated by/(used in) operating activities	(19,021)	6,456	41,510	54,107	41,700
Net cash used in investing activities	(78,319)	(27,935)	(21,000)	(12,480)	(17,621)
Net cash generated by/(used in) financing activities	153,198	7,521	40,276	15,694	(86,374)
Net increase/(decrease) in cash and cash equivalents	**55,858**	**(13,958)**	**60,786**	**57,321**	**(62,295)**

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

*The following discussion and analysis of our financial condition and results of operations covers the consolidated financial condition and results of operations of the Group. Accordingly, the following discussion and analysis should be read in conjunction with the consolidated financial statements of the Group as of and for the years ended December 31, 2018, December 31, 2019 and December 31, 2020 and as of and for the six months ended June 30, 2020 and June 30, 2021 (collectively, the "**periods under review**") and related notes, included elsewhere in this Offering Memorandum.*

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

Overview

Established in 2005, we are a leading European investor and asset manager of debt in the non-performing and non-core assets sector, principally operating in the UK, Portugal, the Netherlands, Italy and the Republic of Ireland ("**Ireland**"). As of June 30, 2021, we had £4.8 billion of FUM, £1,028 million in portfolio investments, £1,572 million 84-month ERC, £1,733 million 120-month ERC, and, in the six months ended June 30, 2021, generated Adjusted Free Cash Flow in the amount of £90.7 million.

We operate as an integrated asset manager, a unique model with three operating divisions that provide strong synergistic benefits to one another. See "*Business—Our businesses*" and "—*Our Business Model*." Our model focuses on generating higher levels of capital-light revenue and, as such, is a comparatively less capital-intensive model than many other businesses that operate in our sector. Our three operating divisions are detailed below:

1. *Fund and Investment Management*: Our Fund and Investment Management business invests third-party committed capital on behalf of our clients and includes the management of our inaugural discretionary closed-end fund, Arrow Credit Opportunities (the "**Fund**"), with total capital commitments of €1.7 billion, together with Norfin, Europa Investimenti and Sagitta;

2. *Asset Management and Servicing*: Our Asset Management and Servicing platforms service and manage collections and other activities related to portfolio investments, on behalf of both our Fund and Investment Management business and our Balance Sheet business, as well as third-party clients. We have built market-leading positions, niche-dominant platforms and competitive servicing platforms, with expertise in consumer, real estate, mortgage and SME non-performing loans ("**NPLs**") and non-core asset servicing across the five jurisdictions in which we operate; and

3. *Balance Sheet*: Our Balance Sheet business invests our own capital. Since the deployment of the Fund in 2020, our investments have typically been made by way

of a co-investment alongside the Fund, via a 100% owned Jersey partnership, Arrow Global SMA I LP ("**Arrow SMA**"). Going forward, we expect the Balance Sheet business to function primarily for the purpose of co-investment activities alongside the Fund as well as any future funds. We may, however, continue to make direct investments through this business for certain strategic reasons. The Balance Sheet business also incorporates the financial performance of the back book portfolio investments made prior to the launch of the Fund.

Our businesses provide strong synergistic benefits to one another. Our Fund and Investment Management business, benefiting from our 15-year track record of delivering attractive risk-adjusted returns, invests on behalf of our Balance Sheet business, with typically 25% co-investment in new portfolio investments alongside the Fund, and approximately 71% of these portfolio investments are currently serviced by our Asset Management and Servicing platforms.

We identify, acquire and service a wide range of secured and unsecured defaulted and non-core loan and real estate portfolios primarily from financial institutions, such as banks, institutional fund investors and specialist lenders, playing an active role in helping financial institutions reduce their balance sheets and re-capitalize in order to increase mainstream lending. By purchasing and managing NPLs and other non-core assets, we provide valuable capital and expertise to a growing European market.

Our purpose is to help build better financial futures for our customers, clients, communities, employees and other stakeholders. As such, great importance is placed on achieving fair outcomes for customers through affordable repayment programs and helping them improve their credit score. We believe that we are one of the leading providers of debt purchase and receivables management solutions in the territories in which we operate.

Through our platforms we have developed local knowledge of acquiring and servicing NPLs and other non-core assets across attractive European markets. We offer a differentiated and diversified European NPL strategy by leveraging our deep local expertise across the five key European jurisdictions in which we operate. Our relevant track record and experience having operated in each of our core markets for a long time as well as our familiarity with each asset class provides us with a competitive advantage that is supported by local and experienced "on-the-ground" teams. In addition, our presence in these jurisdictions enables us to target smaller transactions in more sophisticated granular assets where local knowledge provides a competitive advantage and supports the creation of relationships with debt originators, enabling origination of off-market deals (i.e., deals not acquired through a process involving a competitive bid or an auction-like process).

Our ability to meet our targets and deliver consistently high IRR on our portfolio investments is premised on several factors including our experienced investment professionals, our local expertise in acquiring and servicing NPLs and other non-core assets across attractive European markets, our strong origination capabilities with broad reach enabling us to acquire a high level of off-market deals and our leading data analytics capabilities. Our proprietary database incorporates more than 15 years of collection and payment data, over 1,000 deals underwritten since our inception, 10 million customer accounts and over 10,000 of underlying properties across multiple geographies. As we accelerate our movement towards a capital-light strategy, which

focuses more on the growth of the Fund and Investment Management and Asset Management and Servicing businesses, and less on our Balance Sheet business, this will result in a change in our financial characteristics. See "—*Our Business Model*."

As part of this shift, it is our intention that our integrated fund manager business model delivers:

- an increase in FUM, with a similar or reduced level of portfolio investments held by our Balance Sheet business;
- an increase in the proportion of the earnings of the business derived from our capital-light businesses;
- an ability to target higher return on capital invested through a reduced use of our own balance sheet to provide returns; and
- an increase in cash generation as capital-light revenues grow and less cash is required for re-investment in our own balance sheet assets, with a concomitant ability to de-lever the business.

To support our transition to a capital-light strategy, we will leverage our strong track record and experience in working with partners through our historic co-investments as well as our long-standing relationships with many of the largest institutional investors in the market. The Fund represented the largest first time fundraise in private debt globally in 2020, the third largest credit fundraise in special situations globally in 2020 and the fourth largest private credit fundraise in Europe. Our track record of generating superior returns during economic dislocation combined with LP investors' demand for private debt strategies provides a strong platform to continue to raise private funds for yield-seeking investors and our transition into a more profitable capital-light model.

Our Business Model

As an integrated fund manager, we operate three different business lines, being our Fund and Investment Management business, our Asset Management and Servicing business and our Balance Sheet business, with significant synergistic benefits among them. Essentially, the Fund and Investment Management business originates new investment opportunities that our Balance Sheet business can co-invest into, thereby creating additional opportunities for our Asset Management and Servicing business to service such investments.

Each business line has its own financial characteristics. For the six month period ended June 30, 2021, the revenue mix of the three branches of our business (as a percentage of our total revenue) was as follows: the Balance Sheet business produced 54% of our total revenue, the Asset Management and Servicing business contributed to 33% of our total revenue and the Fund and Investment Management business yielded 13% of our total revenue. The planned shift towards growing our earnings through increased income generated from our collection of management fees in the Fund and Investment Management business, together with stable servicing income derived from the Asset Management and Servicing business and less of a dependency on our Balance Sheet

business – a plan which we refer to as our "capital-light" businesses model – is expected to result in a change in our business' revenue mix and the financial characteristics of the Group (as compared to our historical figures), both of which have historically been weighted more towards the Balance Sheet business.

As part of this shift, it is our intention to deliver:

- an increase in FUM coupled with a steady reduction in the level of portfolio investments held by our Balance Sheet business in the future,
- an increase in the proportion of revenues and earnings derived from our capital-light businesses,
- higher return on capital invested driven by reduced use of our own balance sheet to provide returns, and
- an increase in cash generation as capital-light revenues grow and less cash is required for re-investment through our own Balance Sheet business, with a concomitant ability to reduce leverage.

Our business model: Fund and Investment Management business.

Our Fund and Investment Management business, which comprises ACML, together with Europa Investimenti, Sagitta and Norfin, generates income by providing services in relation to the discretionary and semi-discretionary allocation and management of third-party capital. For the six month period ended June 30, 2021, the Fund and Investment Management business generated an EBITDA of £7.6 million, equating to 12.4% of the Group's EBITDA (pre-Acquisition costs) for the same period, at an EBITDA Margin of 30.7%.

Typically, income is generated through management fees and in addition, LP investors incentivize the Fund Manager through performance fees. Management fees for fund and investment management services are normally calculated based on a fixed percentage of the value of assets managed and deducted from customers' account balances on a regular basis. Income from fund and investment management services is recognized over time as the services are provided. In addition to the management and performance fees that we collect, we charge investors "designated charges," which enables attributable costs to be re-charged to the Fund and future funds.

In addition, these operations drive revenues for our other businesses in two ways: first, portfolio purchases by the Fund will be serviced on Arrow platforms, at market-referenced rates, driving earnings within our Asset Management and Servicing business, with approximately 71% of portfolios purchased currently being serviced by our platforms; and second, our Balance Sheet business will typically co-invest alongside the Fund and drive revenue and collections from the acquired portfolios. Under the Fund, a co-investment of 25% is typical, but we expect this to reduce over time to 10% as we raise new funds with anticipated lower co-investment levels. Returns from these co-investments and from servicing on the Arrow platforms are recorded under the Balance Sheet business and Asset Management and Servicing business results.

Management fees paid for the Fund are predominantly generated on the net asset value of FUM (although larger LP investors in the Fund were charged discounted management fee rates) with our target rate being 1.75% and are paid to the Fund Manager. There is also a small charge on committed capital designed to cover expenses from certain LP investors. Given that the life of the Fund is eight years (comprised of a three year investment period coupled with a five year distribution period), with a potential extension to a maximum of ten years, we anticipate that these management fees will provide relatively steady cash flows on the investments made by the Fund. As we raise additional funds, we expect these management fees to become a significantly larger part of our revenue streams, as we seek to increase our FUM and drawn capital and also reduce the levels of discounts offered, delivering closer to target management fees.

LP investors also incentivize the Fund Manager through performance fees. Performance fees are generated based on outperformance over a specified "hurdle" rate, which for the Fund is 7% - 8% Net Deal IRR (to LP investors), after which the Fund Manager, through its ownership of the general partner, is entitled to a certain percentage of the returns above that level. In respect of the Fund, returns over the aforementioned 7% - 8% Net Deal IRR will be split generally in line with an 80:20 ratio between the LP investors (80%) and the general partner (20%). Assuming that LP investors receive the target 13% Net Deal IRR, we expect to receive a 40% share of the performance fee or carried interest accruing to the general partner, culminating in an indicative performance fee in the amount of approximately €50 million, with recognition expected between 2024 and 2026. We also anticipate that the percentage level of carried interest accruing to us will increase for subsequent future funds.

The Fund and Investment Management business also generates income from the Balance Sheet business, through an intra-segmental charge. These commercial charges cover portfolio management services relating to the assets held on our balance sheet at a rate of 150bps on net asset value of the back-book assets and for Arrow SMA based on a rate of 175bps during 2020 and 150bps from January 1, 2021 on drawn capital during the investment period.

The total blended fee rate for the financial year 2020 for our Fund and Investment Management business was 0.9% of FUM, partly reflecting the discounts offered to LP investors in the Fund (some LP investors pay modest fees of up to 25 bps on committed capital) and the typically lower fees generated by Norfin and Sagitta. We are targeting FUM of approximately €10 billion (over £8.4 billion) and balance sheet debts of less than £1 billion by the end of 2025 (equating to an approximately 70% increase from our FUM of €4.8 billion (representing approximately £4.1 billion) and £1.3 billion total borrowings as at June 30, 2021) through the growth of our existing funds and the establishment of new funds. However, there can be no assurance that we will achieve such target within the estimated time frames or at all. See "*Forward-Looking Statements*" and "*Risk Factors—Risk Factors—Risks Relating to the Transactions—This Offering Memorandum includes forward-looking statements, certain targets and assumptions in forecasts that involve risks and uncertainties*."

Our business model: Asset Management and Servicing business

Our Asset Management and Servicing business, which comprises the servicing platforms operating in the UK, Portugal, Italy, the Netherlands and Ireland, generates revenues by charging servicing fees to entities owning assets. Income from contracts with our clients, which will include

our Balance Sheet business and the Fund, are measured based on the consideration specified in a contract with the client. We recognize revenue when we satisfy a performance obligation related to a service we have undertaken to provide to a client.

Servicing income makes up the majority of the income of the Asset Management and Servicing business, and in itself comprises a broad range of services, including secured and unsecured collection activity, real estate asset realization, legal title holding, due diligence activities, initial platform migration and on-boarding activities, master servicing, securitization vehicle set-up and ongoing management activities, new origination activities, litigation and court process management and third-party sub-servicer management. In all material cases, the services are provided at a point in time that corresponds to the satisfaction of the related performance obligations. As such, revenue arising from servicing income is normally recognized as and when the services are provided to the client, with no deferral or acceleration of revenue across the life of the contract.

Income from our Asset Management and Servicing business remained robust through 2020 at £125.4 million compared with £128.8 million in 2019, demonstrating the resilience of this capital-light income stream through a significant economic downturn. Further, we have had resilient third party income growth during the first half of 2021, 12.6% higher than during the first half of 2020. Throughout 2020, we secured a record 26 new contract wins and during the six-month period ended June 30, 2021, we recorded a further 11 contract wins. Furthermore, on August 17, 2021, we announced plans to acquire the collections and recoveries operations within Tesco Bank's Customer Service division. This partnership will allow Tesco Bank to deliver an enhanced service to customers in financial difficulty by providing the necessary support and flexibility they will need in the future, with Tesco Bank choosing to partner with us, given our customer focus, proven expertise, technology platform and the cultural alignment between us and Tesco Bank. The partnership is expected to result in in our taking on over 200 Tesco Bank personnel on November 1, 2021. We believe we are well placed to win further new third-party contracts as a servicing partner for financial institutions which require additional collections capacity with growing NPL volumes as a result of the COVID-19 pandemic.

Furthermore, we believe the Asset Management and Servicing business has opportunities to grow revenues through business created by the Fund. As of June 30, 2021, 71% of the Fund purchases were being serviced on our platforms. The Fund pays a market referenced fee for such servicing. As a result, we anticipate that the Asset Management and Servicing business will be in a strong position for future growth in line with the growth of our Fund and Investment Management business. For the six month period ended June 30, 2021, the EBITDA of the Asset Management and Servicing business was £6.2 million, equating to 10.1% of the Group's EBITDA (pre-Acquisition costs) for the same period, at an EBITDA Margin of 9.7%. We expect that the profitability for the Asset Management and Servicing business will steadily increase as we continue to develop our operational efficiency. The Asset Management and Servicing business EBITDA Margin for the year ended December 31, 2020 was 12.4% (2019: 17.9%) and the Group seeks to target a 25% EBITDA Margin from the business by 2025 by way of increased operational efficiencies, the vertical alignment of our business and the resulting heightened accountability of the business leaders in the jurisdictions in which we operate. There can be no assurance that we will achieve such targets within the targeted time frames or at all. See "*Forward-Looking Statements*" and "*Risk Factors—Relating to the Transactions—This Offering Memorandum*

includes forward-looking statements, certain targets and assumptions in forecasts that involve risks and uncertainties."

Our business model: Balance Sheet business

Our Balance Sheet business comprises portfolio investments made with our own capital. Since the launch of the Fund, our investments typically represent a co-investment alongside Arrow SMA. Revenue is recognized based on the effective interest rate method. In summary, the returns represent the cash collections of the portfolio less the initial cost, any upfront costs incurred at the time of acquisition and all costs associated with collection and servicing activity on the portfolio. For the six month period ended June 30, 2021, the total income generated by the Balance Sheet business was £105.1 million while the 84-month ERC and the 120-month ERC for the same period was £1,572 million and £1,733 million, respectively. We originally operated solely as a balance sheet investor in UK NPLs and have expanded into a multi-asset class and multi-geographical investor and, through our sophisticated origination, underwriting, portfolio management and servicing capabilities, have built a consistent track record of delivering strong returns through the economic cycle.

We use a number of metrics in our underwriting process, with the key metric being Net Deal IRR. Revenue from the Balance Sheet business is therefore sensitive to the Net Deal IRR at underwriting, any under or over performance of collections against the Net Deal IRR at underwriting and the volume of portfolio investments. The table below shows our track record since 2010. Net Deal IRR represents actual collections achieved plus expected future collections, as shown below as at December 31, 2019, December 21, 2020 and June 30, 2021 to demonstrate the impact of the COVID-19 pandemic and recent performance:

Vintage	Invested Amount (£m)	# of Investments	Net Direct lifetime IRR 31/12/19	Net Direct lifetime IRR 31/12/20	Net Direct lifetime IRR 30/06/21
2010	30	12	40%	39%	39%
2011	110	19	24%	24%	24%
2012	84	23	20%	20%	20%
2013	101	18	20%	20%	20%
2014	240	48	12%	11%	12%
2015	174	59	17%	16%	17%
2016	256	112	22%	21%	21%
2017	204	120	13%	10%	10%
2018	276	105	16%	14%	15%
2019	302	131	17%	11%	12%
2020	371	252	N/A	18%	21%
2021	340	177	N/A	N/A	16%
Total	2,489	1,076	18%	16%	17%

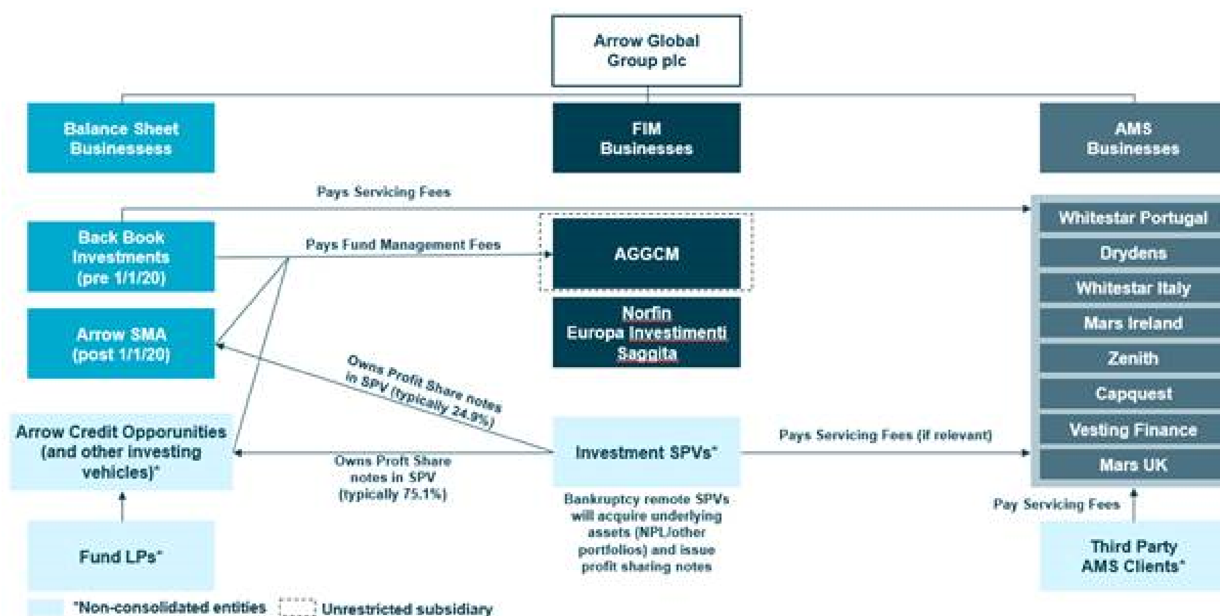
The Net Deal IRR for our Balance Sheet business for 2020 and 2021 are 21% and 16%, respectively. These Net Deal IRR figures take into account certain deals that were undertaken to support our Asset Management and Servicing business but where the Fund declined to participate. For reference, the Net Deal IRR for the Fund for 2020 and 2021 are 22% and 18%, respectively based on the collections and ERC/underwrite cases in the Fund as at June 30, 2021.

We plan to grow our capital-light businesses over the coming years, whereas the intention is to maintain or potentially reduce the focus on our Balance Sheet business. The Balance Sheet business typically co-invests alongside the Fund, participating for 25% of acquired portfolios, and we intend that our participation level will reduce for future funds to 10%, thereby reducing

portfolio investments from our Balance Sheet business. For the six month period ended June 30, 2021, the EBITDA of the Balance Sheet business was £53.9 million (EBITDA for the six month period ended June 30, 2020: negative £99.4 million), equating to 87.9% of the Group's EBITDA (pre-Acquisition costs) for the same period, at an EBITDA Margin of 51.2%.

Our business model: Our Structure

The illustrative diagram below shows the synergistic interactions among our three business divisions described above.



Source: Company information.

Pursuant to the requirements of the LP investors in the Fund, the Fund Manager (or ACML) and its subsidiaries will be Unrestricted Subsidiaries under the Indenture. There are, however, a number of arrangements in place to ensure that approximately 100% of the economics generated by the Fund Manager, including fund management and performance fees, accrue to the Restricted Group. In summary, these are that:

- the Fund Manager pays for services provided to it by members of the Group which are Restricted Subsidiaries. These payments include 100% of designated charges and certain deal costs, as well as approximately 75% of all the management fees that the Fund Manager generates (the 75% of management fees is in line with transfer pricing tax arrangements and reflects the proportion of services that members of the Group deliver in Jersey as compared to other territories); and

- Arrow Global Limited holds preferred ordinary shares in the Fund Manager, which entitles Arrow Global Limited to 100% of all dividends distributed by the Fund Manager.

As such, although the Fund Manager and its Subsidiaries are Unrestricted Subsidiaries under the Indenture and therefore not subject to the restrictions under the Indenture, and sit outside of the Restricted Group of companies, the distributions on the preferred ordinary shares detailed above and the fees and economics generated by the Fund Manager flow to the Restricted Group with the Fund Manager only retaining sufficient revenue to cover its costs. By way of illustration, 97% of the collections and revenues (i.e., cash collections plus income from our Asset Management and Servicing and Fund and Investment Management businesses, together with other income which amounted to £436 million) earned in 2020 were received directly into the Restricted Group, while a further 3% was received indirectly by the Restricted Group by way of the mechanisms detailed above.

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.

Macroeconomic conditions

Macroeconomic conditions in the markets in which we operate can have various effects on the level of portfolios offered for sale by Investment Portfolio Sellers, our ability to generate collections from our portfolios, whether through payments from customers or the realization from other assets, such as real estate, as well as our ability to develop both our Fund and Investment Management business through raising further funds from LP investors, and our Asset Management and Servicing business through winning new service contracts.

Improved economic conditions may have a positive effect on our business. However, a deterioration in the macroeconomic conditions in the jurisdictions that we operate may lead to some or all of the following consequences, as well as other matters that we may be unaware of:

(a) an increase in unemployment, inflation or other factors affecting the ability of customers to repay their debt will reduce the level of collections and reduce returns;

(b) a reduction or weakness in real estate prices may reduce or delay our ability to sell assets and will also reduce the level of collections and reduce returns;

(c) increase the level of defaults within the market, resulting in an increase in Investment Portfolio Sellers' propensity to sell non-performing or non-core assets leading to lower prices prevailing in the market, thereby increasing the volume and the returns on loan portfolios available for us or the Fund Manager to purchase;

(d) increase the requirements of third-party service clients for our services, enabling us to compete for and win asset servicing and management contracts on acceptable terms;

(e) enhance the returns available for investments in non-performing and non-core assets, thereby making it more attractive for LP investors to commit capital under a discretionary mandate to be managed by our Fund Manager; or

(f) impact our ability or the cost of raising funds to support our Balance Sheet business.

While on the one hand a deterioration in the macroeconomic conditions may adversely affect our business (as detailed above), such deteriorating macroeconomic conditions may, on the other hand, generate opportunities for our business. The current macroeconomic environment is dominated by the impact of the COVID-19 pandemic, which we believe will increase transaction activity in late 2021 and beyond, which could in turn create new market opportunities for our business. See "—*Significant Factors Affecting Results of Operations—Impact of the COVID-19 pandemic*" and "*Business—Our Key Strengths—Attractive market with strong growth drivers*."

Impact of the COVID-19 pandemic

In December 2019, a novel strain of coronavirus (COVID-19) was identified in Wuhan, China, rapidly spreading to nearly all regions around the world, including the UK and Ireland, the Netherlands, Portugal and Italy, which caused the World Health Organization to declare COVID-19 a pandemic on March 11, 2020. In order to prevent the spread of the virus, governments around the world implemented several measures, including lockdowns, travel restrictions, mandatory quarantines and self-isolations for infected people, business slowdowns or shutdowns, and encouraging or requiring people to avoid large gatherings. For example, in response to the COVID-19 pandemic, on March 23, 2020, the UK government imposed a nationwide quarantine together with several other measures. As a result of these restrictive measures across all the countries in which we operate, we closed substantially all of our offices and transitioned all of our employees to remote working. Whilst restrictions have eased at times – for example the nationwide quarantine in the UK was lifted on May 10, 2020 – significant restrictions and social distancing measures have remained in place, which continue to adversely affect the overall economies of the countries in which we operate and, in turn, our operations and our customers' operations. For instance, court closures and various legal and regulatory measures intended to help debtors, such as moratoria on certain collection or enforcement activities, along with a slowdown in the real estate market, heavily impacted our ability to make collections during this period. As a result of the COVID-19 pandemic and the measures taken to prevent a further spread, our business was impacted globally in 2020 by the temporary closure and restrictions as a consequence of the guidelines given by the respective governments of the countries where we operate.

Collections performance is a critical factor for our business and the COVID-19 pandemic led to disruptions in our cash collection performance, as a result of a deterioration in the macroeconomic environment, changes to our customers' financial circumstances and lockdown measures implemented in the countries in which we operate, resulting in court closures and impacting the business's ability to litigate and operate as normal. Our cash collections during the three months ended March 31, 2020 were £85.0 million, representing 92% of ERC with the only material shortfall relating to £10 million of delayed collections from two large secured assets in Italy and Ireland. However, we started to see the early signs of the impact of the COVID-19 pandemic during March 2020 and our collections performance weakened in April 2020 with secured collections, impacted by lockdown and court closures to 78% of ERC, enhanced by the acceleration of cash flows from the restructuring of one of the Group's co-investment portfolios. During this period, unsecured collections stabilized at 74% of ERC. Excluding the collection acceleration, cash collections for April 2020 settled at 75% of ERC.

Approximately 34% of the Group's ERC is derived from secured portfolios – primarily in Portugal and Italy – where cash collections are often driven either by the local court system or result from the completion of real estate sales. Whilst both of these collection strategies were directly impacted by the COVID-19 restrictions imposed by European governments, secured portfolios are backed by underlying assets and therefore, the timing of cash collections can be impacted, together with the quantum in the event of real estate price decreases. The majority of the remaining 66% of the Group's ERC consists of unsecured assets – primarily in the UK, followed by Portugal and the Netherlands – where collections are driven by smaller, more frequent monthly cash collections. Automated collections form approximately 46% of total Group collections and approximately 87% of Northern European (the UK, Ireland, the Netherlands) unsecured collections. Where unsecured collections are not automated, they are substantially all paid by remote electronic means.

Collections started to recover in May 2020 from the low in April, with secured collections at 62% of ERC and unsecured at 85% of ERC. Collections during the three months ended March 31, 2020 were £85.0 million, representing 92% of ERC, and during the six months ended June 30, 2020 were £175.7 million, representing 91% of ERC. Our financial response to the collections weakness was proactive and we strengthened our liquidity position in the first half of 2020 demonstrating our ability to manage liquidity, in particular through the curtailment of investments in new portfolio acquisitions and the suspension of shareholder dividends. Cash and cash equivalents improved by £77.0 million to £165.8 million from December 31, 2019 to June 30, 2020 with decisive action on cost and working capital as well as acceleration of collections to make up for COVID-19 induced collection weakness and reduced portfolio purchases of £42.9 million (six months ended June 30, 2019: £165.6 million). Furthermore, we raised additional funds in July 2020 through the execution of a €104.7 million asset backed amortizing loan and completed a long-term support agreement with our bank lenders at that time, recognizing that short term leverage would increase above previous covenant levels as the impact of lower collections built over the following twelve months. As a result of our cautious view on the macroeconomic environment at that time, we reforecast our ERC at June 30, 2020, resulting in a non-cash write down to portfolio investments on the balance sheet of £133.6 million and an operating loss of £108.9 million for the six months ended June 30, 2020 (six months ended June 30, 2019: £59.0 million of operating profit).

During the third quarter of 2020, we saw an improving cash collections trend. Whilst the easing of lockdown measures and the development of a vaccine have potentially lessened the impact of the COVID-19 pandemic on the macroeconomic environment, we remained cautious. Collections in the third quarter 2020 were £85.1 million representing 141% of the revised ERC, and were partially driven by a catch-up in secured collections from earlier in the year. The collections performance continued to be better than we predicted, with £78.1 million of collections in the fourth quarter of 2020. Collections for the full year ended December 31, 2020 amounted to £338.9 million (2019: £442.3 million), with collections during the six months ended December 31, 2020 representing 125% of revised ERC. Collections performance has continued to remain robust in 2021, with collections in the first quarter of 2021 of £76.9 million (first quarter of 2020: £85.0 million) representing 106% of ERC and in the second quarter of 2021 of £102.7 million (second quarter of 2020: £90.7 million) representing 131% of ERC. Collections during the six months ended June 30, 2021 were £179.6 million, representing 119% of December 2020 ERC. Overall, we have had a strong second quarter with our 2021 second quarter stand-alone results, with our

profit before tax being 1.9 times greater than our first quarter in 2021. For the six months ended June 30, 2021, we had a profit before tax and takeover costs of £22.9 million (loss of £135.9 million during the six months ended June 30, 2020), with £22.4 million of Acquisition costs recognized and, together with the strong collections performance, this had a beneficial impact on our leverage levels with our leverage for the twelve months ended June 30, 2021 decreasing by 0.4 times from 5.1 times.

While the impact to our business has been significant, the wider dislocation caused by the COVID-19 pandemic and the impact on borrowers has also been significant. Following the global financial crisis in 2008, NPLs in the European financial systems peaked at approximately €1.2 trillion. While NPLs had decreased to roughly half of that figure by the end of 2019, stress tests on banks by the ECB suggest that NPLs could reach a new peak at roughly €1.4 trillion as a result of the COVID-19 pandemic and its unprecedented economic and social challenges. Whilst we have not yet experienced an increase in the willingness of Investment Portfolio Sellers to sell defaulted debt, we expect that during late 2021 and into 2022, market activity will increase, potentially leading to an increase in the volume of portfolios that we are able to acquire.

Cash collections

The main driver of our Balance Sheet business revenue is the performance of cash collections on our portfolio investments ("**Cash Collections**") and a significant driver of our Asset Management and Servicing business revenue relates to the performance of cash collections on behalf of our third-party service clients.

Our Existing Portfolios produced Cash Collections of £411.6 million in 2018, £442.3 million in 2019, £338.9 million in 2020 and £179.6 million during the six months ended June 30, 2021. The carrying value of our Existing Portfolios on our balance sheet was £1,028.0 million as of June 30, 2021, £1,042.2 million as of December 31, 2020, £1,163.6 million as of December 31, 2019 and £1,087.0 million as of December 31, 2018. The 84-month ERC of our Existing Portfolios on our balance sheet was £1,572.2 million as of June 30, 2021, £1,555.8 million as of December 31, 2020, £1,817.9 million as of December 31, 2019 and £1,634.8 million as of December 31, 2018.

As of June 30, 2021, 66% of our 84-month ERC represented unsecured portfolios and 34% represented secured portfolios. As of June 30, 2021, 36%, 26%, 21%, 15% and 2% of our 84-month ERC were originated in the UK, Portugal, Italy, the Netherlands and Ireland, respectively. We acquire a broad range of portfolios, including, but not limited to, unsecured consumer loans, (such as defaulted or non-performing credit card or personal loan debt), secured consumer loans, (such as defaulted residential mortgage debt), defaulted commercial loans, (such as defaulted commercial mortgage debt and unsecured commercial loan in a bankruptcy where the recovery may be realization of business assets, cash in court, tax credits and real estate), and real estate, (such as residential or commercial properties).

Central to maximizing the collections performance across this broad range of portfolios are our local platforms, which utilize local knowledge and expertise. For example, our Italian business, Europa Investimenti, acquires credit positions in commercial bankruptcies and uses its knowledge of the court system and granular and forensic analysis of individual companies to assess

opportunities. Europa Investimenti will identify an opportunity, such as an SME bankruptcy, and typically, an opportunity will be fully underwritten by the Europa Investimenti investment team, with underwriting assumptions verified by our central function. The purchase of the credit positions in relation to the bankruptcy enables Europa Investimenti to recover against the assets of the company. The assets may consist of cash in court, tax credits, unsecured debtor claims and/or real estate. Furthermore, Europa Investimenti will often seek to purchase all or a majority of the credits and seek to submit a Concordato proposal to the court. A Concordato is a specific Italian bankruptcy procedure that allows an independent third-party to arrange a proposal to pay off credits at a fixed rate in exchange for ownership of all assets of the bankruptcy. Proposals are typically made after the finalization of the bankruptcy creditor list to reduce risk of late claims. Any legal challenges against the court's award of the Concordato are settled out of court, through purchase of challengers' bankruptcy credits. The Concordato process is voted upon by the creditors and therefore, Europa Investimenti, as creditor, is in a position to accept the proposal, thereby accelerating the timing of collections. In some cases, the assets will be pre-sold generating a high Net Deal IRR. Europa Investimenti operate in very specific niche areas and utilize their knowledge of the bankrupt company and legal and court processes to maximize the collection and importantly, the timing of the collection.

The operation of Europa Investimenti is therefore very different to some of our other platforms, such as Capquest in the UK. Capquest in the UK services unsecured consumer debt. Collections are typically small, regular, annuity-like payments collected over a long period of time, with a highly sophisticated data analytical and statistical approach to collections being employed. Using data analytics, we formulate the most efficient, effective and regulation-compliant collection strategy, which may involve litigation strategies. The amount a particular customer pays generally varies depending on the portion of such customer's disposable income available to service defaulted debt. We generally pursue two broad types of collection activities:

- Payment plans: most customers pay by entering into long-term repayment plans, which provides us significant cash flow visibility.

- One-off payments: 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.

An important component of our cash collection strategies is ensuring that we operate in line with our values and achieve fair outcomes for customers in line with our regulatory responsibilities. Given the impact of the COVID-19 pandemic on customers, our forbearance and vulnerable customer policies and processes were important for our customers. For further details on our collections performance during 2020 and 2021, see "*—Significant Factors Affecting Results of Operations—Impact of the COVID-19 pandemic*." For further details on our service platforms and collection strategies, see "*Business*."

Portfolio investments

Our performance is dependent on our ability to purchase investment portfolios since these portfolios drive revenue for our Balance Sheet business and enable us to generate management

and performance fees in our Fund and Investment Management business. Since the launch of Arrow Credit Opportunities, our investments have typically been made through a co-investment alongside the Fund by a 100% owned Jersey partnership, Arrow SMA, although we may continue to make direct investments as well, primarily for certain strategic reasons. The current co-investment level is typically 25%, however for future funds it is our intention to reduce this level as we focus on growing our capital-light businesses. As such, the level of portfolio investments is likely to remain broadly flat or may reduce slightly in the coming years.

As at December 31, 2018, the balance sheet carrying value of our portfolio investments was £1,087 million and during 2018, the value of portfolios acquired was £263.4 million. As at December 31, 2019, the balance sheet carrying value of our portfolio investments was £1,163.6 million and during 2019, the value of portfolios acquired in the year was £303.7 million. As at December 31, 2020, the balance sheet carrying value of our portfolio investments was £1,042.2 million and during 2020, the value of portfolios acquired in the year was £109.9 million. As at June 30, 2021, the balance sheet carrying value of our portfolio investments was £1,028.0 million and during the six months ended June 30, 2021, the value of portfolios acquired was £94.8 million (as compared to £42.9 million during the six months ended June 30, 2020).

There are several factors that influence the level and price at which our Balance Sheet business and our Fund and Investment Management business acquire portfolios, with the supply and demand for portfolios influencing the price of such portfolios. The supply of portfolios is partly driven by the volume of debt/portfolios made available by debt originators in the primary markets, together with the level of secondary sales made primarily by closed-end funds. We also source portfolios through bankruptcy and other special situations. However, considering that our business model is characterized by a strong local presence and the ability to provide asset expertise on a granular level, we have been able to develop strong relationships with potential debt sellers/originators, thereby allowing us to maximize our profits and avoid, to the extent possible, acquiring portfolios through competitive auctions processes that often involve lower yields on portfolios. We believe that our increasing drive towards off-market acquisitions leads to better returns and during 2020, based on our calculations, 74% of our investment portfolios were acquired through off-market deals. We expect to continue to source the majority of our portfolios through such off-market strategy by leveraging our local presence and experienced local operators.

As mentioned above, the supply and demand for portfolios influences the price, and therefore the return, available to us. The key metric used when assessing portfolios is Net Deal IRR. Actual Net Deal IRR achieved will vary depending upon our performance against forecast. Actual Net Deal IRR achieved is based on actual cash collections to date and the remaining ERC and, as at June 30, 2021, the average Net Deal IRR achieved of 17% on all vintages since 2010, represents 13% for on-market deals and 18% for off-market deals, highlighting the benefits of our origination strategy. For details of Net Deal IRR by vintage, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Our Business Model: Balance Sheet Business.*"

The market dislocation caused by the COVID-19 pandemic and the impact on borrowers has also been significant. Based upon the ECB's stress tests on banks, we expect that NPLs could reach a new peak at approximately €1.4 trillion. As such, we expect that the supply of portfolios being offered by Investment Portfolio Sellers to increase and that this market dislocation will

generate significant opportunities going forward. Furthermore, we expect that during late 2021 and into 2022, market activity will increase, potentially leading to an increase in the volume of portfolios that we are able to acquire.

Given the uncertainty since the onset of the COVID-19 pandemic, we have adopted a more defensive and conservative investment strategy, investing in portfolios with typically shorter weighted average lives, including more granular assets and a higher proportion of secured assets. See "*Business—Our Key Strengths—Highly cash flow generative with conservative risk management and strong balance sheet*." Our conservative approach to the underwriting of ERC has led to an over-performance of our actual collections against ERC. When measured from the period from purchase to June 30, 2021, the actual cash collections represent 230% and 296% of the expected collections at the time of underwriting for the 2020 and 2021 vintage years, respectively. This in turn has created a significant upside in the Net Deal IRR for the 2020 vintage, increasing from 16% at underwriting to 21% as at June 30, 2021. The 2021 vintage has been underwritten at a similar Net Deal IRR of 16%, but given the over-performance on actual collections to date, we would anticipate that the expected Net Deal IRR will increase in due course.

The ability to purchase debt portfolios through our Balance Sheet business is also dependent on our internally generated cash resources and our access to financing at the time loan portfolios become available for purchase. As we sought to preserve liquidity during 2020 in response to weakened collections as a result of the COVID-19 pandemic, we curtailed our investment in portfolios. However, we believe that with our access to third-party capital through our Fund and Investment Management business, we are well placed to continue to invest at scale, which drives numerous benefits including, but not limited to, ongoing development of origination capabilities by building on our trusted relationships with Investment Portfolio Sellers and increased access to performance data on customers and portfolios, leading to more accurate underwriting and operational leverage. This ability to scale operations, without the liquidity and leverage constraints that impact many competitor debt management businesses, is a significant competitive advantage and enables us to grow our earnings through capital-light revenues rather than the more capital-intensive Balance Sheet business.

Collection Activity and Fund Management Costs and operational efficiency

Operational efficiency is key to our performance and, as such, controlling costs and ensuring that our platforms are well invested and efficient is important. Our total operating expenses comprise two elements, being Collection Activity and Fund Management Costs, which encompass the direct costs of operations, and secondly, other operating expenses, which encompass the indirect costs of our operations. The most significant direct and indirect costs relate to staff costs with respect to our approximately 2,500 full time equivalent employees. By way of illustration, our total staff costs for the six months ended June 30, 2021 were £53.9 million which amounted to 48% of our total costs (excluding costs associated with the Acquisition) for that period.

We closely monitor costs incurred through a number of activities. Our annual budget process requires all cost center owners to agree the costs, both direct and indirect, for their area of responsibility. Any overspending against budgets are reviewed on a monthly basis. Furthermore,

we utilize a number of metrics, such as EBITDA Margin and collection costs as a percentage of Cash Collections, to highlight areas of inefficiency and seek to take action accordingly.

In addition, our central procurement function ensures a consistent approach to third-party supplier management, through our policy that aims to ensure that:

- risks associated with the contracting of third-party suppliers and partners for the provision of business functions or services are understood;
- management of third-party supplier and partner relationships reflect the risks associated with the services being provided;
- there are clear expectations and requirements for the management of third-party supplier relationships before, during and after the contractual period of the supplier relationship;
- roles and responsibilities for managing third party supplier relationships are clearly defined; and
- the best possible commercial agreement is in place with all third-party suppliers.

Our procurement function assists the business in obtaining quotes and undertaking tenders for contracts over specified limits, together with ensuring that any costs are approved prior to being incurred with appropriate approval limits dependent upon the quantum of the costs to be incurred.

In addition, our centralized Human Resources ("**HR**") function seeks to ensure standardized processes, provide control around recruitment and implement training to ensure that we maximize our talent. This ensures the alignment of our bonus schemes and enables pay comparison between our different platforms and businesses.

Going forward, we expect to align our platforms vertically under a fund management framework with greater accountability of our local operations. We expect that empowering our local champion platforms with increased local accountability will engender a cost-ownership culture where our operations in different jurisdictions will assume control and responsibility for reducing costs incurred by that particular jurisdictional operation, as well as avoiding dual-layer costs from the Group management structures. We believe that this, together with the expected cost savings related to the transfer of the Target from public to private ownership, will deliver greater operational efficiencies and cost reductions. See "*Business—Cost Structure Development and Cost Saving Opportunities,*" "*Risk Factors—Risks Relating to the Transactions—This Offering Memorandum includes forward-Looking Statements, certain targets and assumptions in forecasts that involve risks and uncertainties*" and "*Risk Factors—Risks Relating to the Transactions—We have included in this Offering Memorandum certain unaudited adjusted data, and other financial information not prepared in accordance with IFRS.*"

Impairment / fair value gains or losses on our portfolio investments

For our Balance Sheet business and Fund and Investment Management business, a key driver of the results of our businesses is the ability to collect cash in line with or at levels above

the ERC. We closely monitor Cash Collections on a weekly basis through our Weekly Collection Review meeting, chaired by the CEO of our Asset Management and Servicing business and on a monthly basis through our Fund Performance Management Meeting and our In-Country Portfolio Performance Committees. See "*Business—Our investment process and operations—Portfolio Management*."

In addition to the monitoring of actual Cash Collections, on at least a biannual basis and, more frequently as required, we perform a review of our investment portfolios to ensure that the ERC remains our best estimate of future collections. Our platforms, working together with our portfolio management teams, will provide updates to the ERC, which will incorporate our macro-economic and sector / geographical views and expectations. The reforecast ERC is then reviewed and approved by the Portfolio Review Committee ("**PRC**"). Along with senior executive management, including the Group CEO and Group CFO, the PRC is attended by the Chair of the Audit Committee and the external auditors. See "*Management—Operational Committees*."

Any changes to the reforecast ERC will result in either an impairment / fair value gain, as a result of an increase to the ERC, or an impairment / fair value loss, as a result of a decrease to the ERC. Factors outside of our control, such as macro-economic factors or as recently experienced with the COVID-19 pandemic, can cause such gains or losses. See "*—Significant Factors Affecting Results of Operations—Impact of the COVID-19 pandemic*." Other factors, such as the performance of our platforms or other DCAs and servicers, ineffective litigation, regulatory or legal compliance issues, may also result in portfolio investment gains or losses, which can affect our business performance.

Revenues from our Fund and Investment Management operations

Revenues from our Fund and Investment Management operations are largely comprised of management fees and performance fees, which as detailed under "*Our business model: Our Structure*," accrue directly or indirectly to the Restricted Group. LP investors in the Fund, and any future *funds*, will pay ACML, the Fund Manager, management fees predominantly based on the net asset value of funds managed, with a small amount paid on committed capital. In addition, LP investors incentivize the Fund Manager through performance fees. See "*Business—Our businesses—Fund and Investment Management business*."

Performance-related fees are recognized only where it is highly probable that the revenue will not be reversed in the future. This is generally near the end of the performance period or upon early liquidation of a fund. Performance-related fees will only be crystallized when a performance "hurdle" is met. The Fund has a hurdle rate of 7% - 8% Net Deal IRR, after which the Fund Manager is entitled to broadly 20% of the returns above that level, with the Group being entitled to 40% of these fees. Therefore, earning of performance fees is largely driven by our ability to exceed the performance hurdle, including the Net Deal IRR for the relevant fund. For accounting recognition purposes, the estimate of performance fees is made with reference to the liquidation profile for the specific fund, which factors in portfolio exits and timeframes, and a constraint is applied to the estimate to reflect uncertainty of future fund performance.

Since performance fees are predominantly generated on the net asset value, future revenues from our Fund and Investment Management business will depend on our ability to invest the

committed capital from the Fund and also attract LP investors for new funds. As of June 30, 2021, 54% of the Fund had been deployed or committed, including both third party investments and our co-investments (64% of the Fund had been deployed excluding our co-investment) and we expect to commence the fund raising for our second fund, ACO 2, in early 2022, when the capital deployed, after recycling collections, within the Fund is approximately 70% of the total capital commitments (provided that the deployment rate remains consistent with historical rates of deployment). Our ability to attract new LP investors into our second fund will partly be dependent upon the success of the Fund and the fund raising climate. Our revenues from the Fund and Investment Management business will also depend on the terms that we are willing to offer to LP investors and the terms we are able to negotiate with them, including hurdle rates and the level of management fees.

Due to the co-invest model, revenues from our Balance Sheet business and Asset Management and Servicing business will also be driven to some extent by the future growth of our Fund and Investment Management business because our Balance Sheet business can co-invest into the new assets managed by our Fund and Investment Management business, which can then be serviced by our Asset Management and Servicing business.

Given our transition to the integrated asset manager model and the development of the Fund and Investment Management business, the Group's segmental results for the year ended December 31, 2020, together with comparatives for the year ended December 31, 2019, have been presented for our three businesses, being the Fund and Investment Management, Asset Management and Servicing and Balance Sheet businesses. In earlier periods, the segmental results were presented for two divisions only, being the investment business and asset management and servicing.

Profitability from our Asset Management and Servicing business

Revenue from our Asset Management and Servicing business relates to income from a broad range of services that are offered by the Arrow platforms in the jurisdictions in which we operate, including secured and unsecured collection activity, real estate asset realization, legal title holding, due diligence activities, initial platform migration and on-boarding activities, securitization vehicle set-up and ongoing management activities, new origination activities, litigation and court process management and third-party sub-servicer management.

The ability to increase revenue is driven by our ability to retain existing clients, win new contracts and service a greater percentage of the portfolios acquired by the Fund.

During 2020, we won 26 new third-party contracts, a record number in any financial year, and during the first half of 2021, we won a further 11 contracts. Furthermore, on August 17, 2021, we announced plans to acquire the collections and recoveries operations within Tesco Bank's Customer Service division. This partnership will allow Tesco Bank to deliver an enhanced service to customers in financial difficulty by providing the necessary support and flexibility they will need in the future. Tesco Bank chose to partner with us, given our customer focus, proven expertise, technology platform and the cultural alignment between us and Tesco Bank. The partnership is expected to result in over 200 Tesco Bank personnel being transferred to us on November 1, 2021. The COVID-19 pandemic has led to an increased demand for our services, as

banks and other debt providers have seen an increase in arrears and require additional resources and expertise in managing late stage arrears and defaulted customers. In addition to the external clients serviced by our Asset Management and Servicing business, the business also services portfolios acquired by the Fund and our Balance Sheet business. The increased scale of our FUM represents an important source of new contracts. As of June 30, 2021, 71% of the portfolios acquired by the Fund were being serviced by our Asset Management and Servicing business.

In addition to the ability to increase revenues, it is equally important to control costs and, through increased operational leverage as the platforms grow, the conversion of the Target from a public to private company, the vertical alignment of our platforms under a fund management framework with greater local accountability, we will seek to ensure that both new and existing businesses achieve our stated target EBITDA Margin of 25%. A failure to grow revenue, with our stated target being 10% CAGR per annum for each year until 2025, and to achieve our EBITDA Margin will result in lower profit than anticipated within our Asset Management and Servicing business. There can be no assurance that we will achieve such targets within the targeted time frames or at all. See "*Forward-Looking Statements*" and "*Risk Factors—Risks Relating to the Transactions—This Offering Memorandum includes forward-looking statements, certain targets and assumptions in forecasts that involve risks and uncertainties.*"

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 and the other countries in which we operate requires considerable investment in processes, know-how and management. See "*Risk Factors—Risks Relating to the Regulation of our Business—Our UK operations are subject to significant oversight by UK regulators that view our operations as "higher risk" activities. Failure to comply with such applicable laws, regulations and codes of practice relating to debt purchase, collection and asset management industries in the UK could result in substantial losses and the suspension, termination or impairment of our ability to conduct business*" 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 the Regulation of our Business—Changes to the regulatory environment in the future in the jurisdictions in which we operate or an increasing volume of legislation may materially adversely affect the debt purchase and collection and fund and asset management industries and impede our business and/or increase our costs*." We have invested, and intend to continue to invest, in a significant amount of financial and technical resources in order to achieve and maintain compliance with these requirements. See "*Management—Operational Committees*."

Investment in Systems and Processes

We continue to make investments in our capabilities to support the added complexity and growth of a more diversified business. We continue to invest in our IT infrastructure to ensure that it meets our objectives of flexibility, control, resilience and cost effectiveness. The COVID-19 pandemic presented, in real time and on a scale and timescale that could not have been forecast,

the opportunity to test the resilience of our systems and our response was swift and successful. See "*Business—ESG*."

During 2020, we incurred £13.8 million in capital expenditure, being £11.4 million of intangible assets, predominantly relating to IT and software license costs, and £2.5 million of fixed assets, predominantly relating to leased assets. During 2019, we incurred £13.1 million in capital expenditure, being £11.8 million of intangible assets and £1.3 million of fixed assets. We expect our capital expenditure to remain broadly stable in 2021 compared to our historical capital expenditures in 2020 and 2019. As we continue to grow our business, particularly through our new Fund and Investment Management business, we expect that additional costs may be incurred, such as in the development of our new funds system, but we expect that the significant portion of such costs to be re-charged through designated charges to the Fund. See *Business—Our Business Model—Our business model: Fund and Investment Management business*" and "*Business—Our Business Model—Our business model: Our Structure*."

Seasonality

We expect that our business will increasingly become less seasonal, as capital-light revenues tend to be less volatile than those of the Balance Sheet business that can be impacted by impairment gains or losses on the portfolio investments and the timing of portfolio purchases and collections.

We review our ERC on a biannual basis to ensure that the expected Cash Collections continue to be aligned with our expectations and such review may result in an increase or decrease in our ERC. Any change in the ERC will result in an impairment / fair value gain, where the ERC increases, or a loss, where the ERC decreases. See "*Management—Operational Committees*."

In addition, the timing of collections can be uneven during any financial year. As we purchase a broad range of portfolios, some of which may comprise a portion or entirety of real estate assets, the collection on such portfolios may be realized only when the asset is sold. In some circumstances, the collection will be maximized by incurring capital expenditure before sale and therefore the time to realize collections can be uncertain. Furthermore, certain portfolios may have an uneven collections profile. For example, we have acquired a portfolio, which represents a minority interest in a lending business in the Netherlands, where the final collection represents the disposal of the underlying business and, as such, generates an uneven cash flow profile. See "*Risk Factors—Other Risks Relating to our Operations—Uneven portfolio supply patterns may prevent us from pursuing all of the purchase opportunities we would like to, and may result in us experiencing uneven cash flows and financial results*."

Furthermore, purchases of investment portfolios by our Balance Sheet business and by our Fund and Investment Management business are 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 Investment Portfolio 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 or lower proportion of our targeted purchases earlier in the year. See "*Risk*

Factors—Other Risks Relating to our Operations—Uneven portfolio supply patterns may prevent us from pursuing all of the purchase opportunities we would like to, and may result in us experiencing uneven cash flows and financial results."

As a result of one or all of the factors noted above, the results and performance of our businesses may fluctuate due to such seasonal matters and may differ from our expectations.

Acquisitions

During 2018, the results of our operations were impacted by the acquisitions made during that year. See "*Business—Our History*." From time to time, we consider acquisitions that offer a strategic opportunity to accelerate our growth and that will generate high returns on investment. We also enter into certain other arrangements, such as partnerships, in connection with certain portfolio acquisitions and certain origination and servicing arrangements. See "*Risk Factors—Other Risks Relating to our Operations—We may make acquisitions or pursue joint ventures, business combinations or other investments that prove unsuccessful or strain or divert our resources.*"

Factors Impacting Comparability

Further development of our business as an integrated asset manager

We reached an important landmark in November 2020, with the final close of our inaugural fund, Arrow Credit Opportunities, which raised total capital commitments of €1.7 billion, including our commitment. The development of our integrated asset manager model is important to the successful execution of our strategy and our performance.

Our three businesses are complementary to one another. The Balance Sheet business co-invests alongside the Fund, typically at 25%, in new portfolio investments managed by our Fund and Investment Management business, with approximately 71% of the portfolio investments being serviced by our Arrow platforms within our Asset Management and Servicing business. See "—*Our Business Model*."

In addition, there are intangible benefits, with the building of intellectual property from the investment at scale that this integrated model drives. We believe that being able to invest at scale allows us to build origination capability through broadening and deepening relationships with Investment Portfolio Sellers and extending our reach to source off-market deals. In turn, the increased level of portfolios purchased enriches and builds our data and data analytical capabilities, leading to increased accuracy of underwriting and pricing portfolios. The increased scale is an enabler to create operational leverage within our platforms in our Asset Management and Servicing business, allowing returns to be maximized. Strong returns build our capital-light earnings, enable deleveraging and increase the appetite from LP investors to commit financing to our future funds, enabling the growth of our Fund Manager with the ability to further grow and increase the scale of our businesses.

The above changes to our business model and strategy have had and will continue to have an impact on the results of our operations, and as such, the results of operations and cash flows for

future periods may not be comparable. See "*—Significant Factors Affecting Results of Operations—Revenues from our Fund and Investment Management operations*."

The Transactions

The Parent will account for the Acquisition under IFRS using the business combination accounting criteria which requires separate recognition of the acquirer's identifiable assets, liabilities and contingent liabilities that existed at the date of the Acquisition. These assets and liabilities must be recognized at fair value at the date of the Acquisition. This will affect the comparability of our future consolidated financial statements with the Target Group's consolidated financial statements contained in this Offering Memorandum. We will apply purchase accounting adjustments in connection with the Acquisition to our financial statements. The application of purchase accounting will result in different carrying values for existing assets and assets we may add to our balance sheet, which may include intangible assets, such as goodwill write-off, software, and different amortization and depreciation expenses. Due to these and other potential adjustments, our financial statements could be materially different once the adjustments are made.

Furthermore, we will incur additional indebtedness and corresponding interest expense as a result of the Transactions, which is expected to amount to approximately £85 million in aggregate. As of June 30, 2021, adjusted to give effect to the Transactions, we would have had total indebtedness in the aggregate amount of £1,354 million, primarily consisting of the Notes and the Revolving Facility. See "*Capitalization*" and "*Description of Other Indebtedness*."

Our indebtedness may limit our flexibility in planning for, or reacting to, changes in our business and future business opportunities, since a substantial portion our cash flow from operations will be dedicated to the repayment of our indebtedness, and this may place us at a competitive disadvantage as some of our competitors are less leveraged.

Reporting

We present the Target Group's consolidated financial statements in this Offering Memorandum. After completion of the Acquisition, the Target Group will not prepare separate consolidated financial statements and we instead intend to report our consolidated financial results at the level of the Parent. Due to this, our future financial statements may not be comparable to the Target Group's consolidated financial statements included in this Offering Memorandum. Our future financial statements could be materially different once the adjustments are made and may not be comparable to the Target Group's consolidated financial statements included in this Offering Memorandum. Furthermore, the disclosure and regulatory requirements for a private company are generally less onerous than those for a public company and, as such, the level of reporting and disclosure required may reduce following the Target's re-registration as a private company.

Strategic review

A strategic review will be completed shortly after the completion of the Transactions. The output of this review may lead to changes within the business, such as organizational changes, that may lead to a change in our reporting, for example to our segmental reporting and/or key

performance metrics. Furthermore, there may be changes to our cost base, for example arising from the change from a public to private company.

In particular, as we have grown into new markets and built out our servicing capability, we have invested in centralized functions as part of the One Arrow programme, which sought horizontal alignment of the business. As such, since the IPO in 2013, pre-exceptional cost income ratio has moved from less than 50% to over 65%. Going forward, we believe there are areas of centralization to retain, but that other functions are better and more efficiently delivered with local accountability. We therefore expect an outcome of the strategic review will be to switch to a more vertically aligned model with local champion platforms and corresponding local investment strategies. We expect to maintain central origination and underwriting functions, supported by local expertise. However, we expect to empower our local champion platforms with local accountability and adopt a fund manager framework for the management of the local platforms. We believe our focus on creating a cost-ownership culture will deliver efficiencies without creating dual-layer costs and will lead to greater accountability. See "*—Significant Factors Affecting Results of Operations—Collection Activity and Fund Management Costs and operational efficiency,*" "*Business—Cost Structure Development and Cost Saving Opportunities*," "*Risk Factors—Risks Relating to the Transactions—This Offering Memorandum includes forward-looking statements, certain targets and assumptions in forecasts that involve risks and uncertainties*" and "*Risk Factors—Risks Relating to the Transactions—We have included in this Offering Memorandum certain unaudited adjusted data, and other financial information not prepared in accordance with IFRS.*"

Description of Key Performance Metrics

Profit before and after tax, EBITDA and EBITDA Margin and segmental profit before tax, EBITDA and EBITDA Margin

Profit before tax, together with EBITDA and EBITDA Margin, are measures of our performance and we report our profit before tax, EBITDA and EBITDA Margin split by each business. The segmental reporting of profit before tax, EBITDA and EBITDA Margin assist with understanding how each of our businesses is performing and includes an allocation of indirect operating costs. We use this segmental reporting, prepared on a monthly basis and included within our management accounts, to monitor the performance of each of our businesses through our Commercial Committee and the Board. See "*Management—Operational Committees*." Given the development of our Fund and Investment Management business in 2019, the current segmental analysis (including the Fund and Investment Management business) is only available from 2019. The full year positions for 2019 and 2020, and the half year positions for 2020 and 2021 are shown below.

2019 Segmental Reporting	**Balance Sheet business**	**Asset Management and Servicing business**	**Fund and Investment Management business**	**Group functions**	**Intra-segment elimination**	**Total**
			(£'000s)			
Total income	226,475	128,785	48,329	392	(64,463)	339,518
Collection Activity and Fund Management Costs	(110,936)	(68,071)	(16,983)	—	64,463	(131,527)
Gross Margin	**115,539**	**60,714**	**31,346**	**392**	**—**	**207,991**

2019 Segmental Reporting	Balance Sheet business	Asset Management and Servicing business	Fund and Investment Management business	Group functions	Intra-segment elimination	Total
			(£'000s)			
Gross Margin %	51.0%	47.1%	64.9%	—	—	—
Other operating expenses excluding depreciation, amortization and forex	(10,654)	(37,638)	(12,711)	(21,717)	—	(82,720)
EBITDA	**104,885**	**23,076**	**18,635**	**(21,325)**	**—**	**125,271**
EBITDA Margin %	46.3%	17.9%	38.6%	—	—	—
Depreciation, amortization and forex	(5,845)	(6,921)	(365)	(6,322)	—	(19,453)
Operating profit/(loss)	**99,040**	**16,155**	**18,270**	**(27,647)**	**—**	**105,818**
Net finance costs	—	—	—	(54,498)	—	(54,498)
Profit/(loss) before tax	**99,040**	**16,155**	**18,270**	**(82,145)**	—	**51,320**

2020 Segmental Reporting	Balance Sheet business	Asset Management and Servicing business	Fund and Investment Management business	Group functions	Intra-segment elimination	Total
			(£'000s)			
Total income	64,882	125,361	36,774	837	(60,362)	167,492
Collection Activity and Fund Management Costs	(98,446)	(71,164)	(21,324)	—	60,362	(130,572)
Gross Margin	**(33,564)**	**54,197**	**15,450**	**837**	**—**	**36,920**
Gross Margin %	(51.7)%	43.2%	42.0%	—	—	—
Other operating expenses excluding depreciation, amortization and forex	(10,724)	(38,599)	(12,800)	(12,472)	—	(74,595)
EBITDA	**(44,288)**	**15,598**	**2,650**	**(11,635)**	**—**	**(37,675)**
EBITDA Margin %	(68.3)%	12.4%	7.2%	—	—	—
Depreciation, amortization and forex	(5,094)	(4,903)	(513)	(9,143)	—	(19,653)
Operating profit/(loss)	**(49,382)**	**10,695**	**2,137**	**(20,778)**	**—**	**(57,328)**
Net finance costs	—	—	—	(57,495)	—	(57,495)
Profit/(loss) before tax	**(49,382)**	**10,695**	**2,137**	**(78,273)**	—	**(114,823)**

June 2020 Segmental Reporting	Balance Sheet business	Asset Management and Servicing business	Fund and Investment Management business	Group functions	Intra-segment elimination	Total
			(£'000s)			
Total income	(43,313)	59,645	16,539	341	(29,825)	3,387
Collection Activity and Fund Management Costs	(50,626)	(33,353)	(10,120)	(5)	29,825	(64,279)
Gross Margin	**(93,939)**	**26,292**	**6,419**	**336**	**—**	**(60,892)**
Gross Margin %	216.9%	44.1%	38.8%	—	—	—
Other operating expenses excluding depreciation, amortization and forex	(5,455)	(19,494)	(6,440)	(7,768)	—	(39,157)
EBITDA	**(99,394)**	**6,798**	**(21)**	**(7,432)**	**—**	**(100,049)**
EBITDA Margin %	229.5%	11.4%	(0.1)%	—	—	—
Depreciation, amortization and forex	(2,779)	(2,378)	(250)	(3,476)	—	(8,883)
Operating profit/(loss)	**(102,173)**	**4,420**	**(271)**	**(10,908)**	**—**	**(108,932)**
Net finance costs	—	—	—	(27,010)	—	(27,010)
Profit/(loss) before tax	**(102,173)**	**4,420**	**(271)**	**(37,918)**	—	**(135,942)**

June 2021 Segmental Reporting	Balance Sheet business	Asset Management and Servicing business	Fund and Investment Management business	Group functions[1]	Intra-segment elimination	Total
			(£'000s)			
Total income	105,139	64,238	24,739	9	(27,793)	166,332
Collection Activity and Fund Management Costs	(45,312)	(37,257)	(11,624)	—	27,793	(66,400)
Gross Margin	**59,827**	**26,981**	**13,115**	**9**	**—**	**99,932**
Gross Margin %	56.9%	42.0%	53.0%	—	—	60.1%
Other operating expenses excluding depreciation, amortization and forex	(5,949)	(20,770)	(5,527)	(28,765)	—	(61,011)
EBITDA	**53,878**	**6,211**	**7,588**	**(28,756)**	**—**	**38,921**
EBITDA Margin %	51.2%	9.7%	30.7%	—	—	23.4%
Depreciation, amortization and forex	(1,379)	(3,607)	(1,538)	(1,650)	—	(8,174)
Operating profit/(loss)	**52,499**	**2,604**	**6,050**	**(30,406)**	**—**	**30,747**
Net finance costs	—	—	—	(30,237)	—	(30,237)
Profit/(loss) before tax	**52,499**	**2,604**	**6,050**	**(60,643)**	**—**	**510**

(1) Group functions include adjustments made for acquisition costs of £22,356,000.

The level of taxation incurred by the business predominantly reflects the underlying corporation tax rates in the jurisdiction where profits are generated. The Effective Tax Rate ("**ETR**") is measured as the tax charge divided by the loss or profit before tax. For 2018, 2019 and 2020, the ETR was 25.1%, 27.3% and 18.5% respectively and, after deducting the tax, the business reports and monitors its profit after tax.

Profit before and after tax (before exceptional items)

Profit before tax and after tax is often stated within our financial statements before exceptional items, an underlying profit before or after tax. The purpose of this metric is to adjust for one-off exceptional items to assist the user in understanding the underlying results. In 2018, we disclosed a number of exceptional items to report an underlying profit before tax as follows:

	2018
	(£'000s)
Reported profit before tax	39,991
Exceptional collection activity costs[1]	1,080
Exceptional other operating expenses[2]	22,676
Exceptional finance costs[3]	18,658
Underlying profit before tax	**82,405**

(1) Related to 'One Arrow' costs, which was a Group-wide program which began in 2017 and came to an end in 2018, and included the development of a revised governance structure, office consolidations and IT/change investment across the Group. Given the aggregate size and nature of this Group-wide transformation program, these costs have been presented as profit adjusting items as they are considered to warrant separate presentation.

(2) Of the £22.7 million, £14.7 million relates to acquisition related costs, being £3.1 million related to acquisitions in 2018, and £11.6 million related to contingent consideration payments on previous periods' acquisitions. The remaining £8.0 million related to 'One Arrow' costs as detailed in note (1) above.

(3) Bond refinancing costs consisted of £13.6 million relating to the call premium, along with £5.0 million due to a non-cash write-off of related transaction fees, in connection with the refinancing of €230 million notes due 2023.

There were no such exceptional reported items in the financial years ended December 31, 2019 or December 31, 2020.

For the six months ended June 30, 2021, the Target Group reported £22.4 million of Acquisition costs. In light of the potential acquisition of the Target Group, a number of costs relating to the Acquisition were accrued based on an estimate of the work performed by the Target Group's professional advisors and some share-based payments and retention arrangements for key personnel below executive directors have been accelerated, all of which would have otherwise not been incurred. Given the exceptional nature of the Acquisition, it is expected that there will be a further exceptional or one-off items reported in the twelve months ended December 31, 2021 within the consolidated results of the Parent. These are expected to include the following and relate to the Transactions:

- One-off costs relating to the Acquisition, the refinancing of the Arrow Global Revolving Credit Facility and, subject to the successful offering of the Notes, the Existing Notes, totaling in aggregate an amount of approximately £75 million. These costs relate to legal, bridge financing costs and other advice and will be expensed to the profit and loss account during the period; and

- A further amount of approximately £10 million relating to the raising of new debt, being the Revolving Facility and the Notes offered hereby, will be capitalized in line with IFRS and expensed over the duration of the Revolving Facility and the Notes offered hereby using the EIR accounting method.

Furthermore, in the event that there are any restructuring or other costs arising from the strategic review that will be undertaken by the Parent, it is likely that any such costs will treated as exceptional costs. In addition, to these costs, under our business combinations accounting policies, the consolidated results of the Parent may include further adjustments. See "—*Key accounting policies, judgements and assumptions and estimates—Key Accounting Policies*."

Adjusted EBITDA

Adjusted EBITDA represents our earnings before interest, tax, depreciation and amortization (including the amortization of portfolio investments), adjusted for any non-cash income or expense items. Adjusted EBITDA is an approximate measure of the underlying cash EBITDA of the Group and also features in our banking covenant measure.

Our businesses focus on Cash Collections and therefore, the Adjusted EBITDA provides an important metric to understand the cash generation of our business. Adjusted EBITDA was £294.0 million, £330.1 million, £233.2 million, £118.7 million and £131.2 million for the years ended December 31, 2018, 2019, 2020, the six months ended June 30, 2020 and 2021 respectively. Further, Adjusted EBITDA for the twelve months ended June 30, 2021 was £245.6 million. Adjusted EBITDA in 2020 and 2021 have been impacted by the weaker collections performance as a result of the COVID-19 pandemic. See "—*Significant Factors Affecting Results of Operations—Impact of the COVID-19 pandemic.*"

Adjusted Free Cash Flow

Adjusted Free Cash Flow represents current cash generation on a sustainable basis and is calculated as Adjusted EBITDA less cash interest, income taxes and overseas taxation paid and amounts paid for the purchase of property, plant and equipment intangible assets. Adjusted Free Cash Flow provides a measure of how much cash we generate across the reporting period which we can use to reinvest in portfolio investments, repay debt or pay dividends. Adjusted Free Cash Flow was £230.7 million, £261.4 million, £156.6 million and £90.7 million for the year ended December 31. 2018, 2019, 2020 and the six months ended June 30, 2021, respectively. As with the Adjusted EBITDA, the Adjusted Free Cash Flow in 2020 and 2021 has been impacted by the weaker collections performance as a result of the COVID-19 pandemic.

Capital-light businesses' percentage of Group EBITDA

Central to our strategy is to grow our capital-light businesses, being our Fund and Investment Management and Asset Management and Servicing businesses. We believe that these businesses will lead to more stable revenues, higher returns on capital employed and deleveraging. Our target is to increase the EBITDA contribution of our capital-light businesses to more than 50% by the end of 2025. There can be no assurance that we will achieve such targets within the targeted time frames or at all. See "*Forward-Looking Statements*" and "*Risk Factors—Risks Relating to the Transactions—This Offering Memorandum includes forward-looking statements, certain targets and assumptions in forecasts that involve risks and uncertainties*."

As our capital-light businesses grow, the capital-light businesses' percentage of Group EBITDA, being calculated as the sum of EBITDA of our Asset Management and Servicing business and EBITDA of our Fund and Investment Management business, as a percentage of total EBITDA, is expected to increase from 33.3% in 2019 to our target of 50% by 2025. Given the losses sustained during 2020, our capital-light businesses' percentage of Group EBITDA was negative 48.4%, but after adjusting for the non-cash write off of ERC in relation to the COVID-19 pandemic of £133.6 million, our capital-light businesses' percentage of Group EBITDA would have been 19.0%. Our capital-light businesses' percentage of Group EBITDA (pre-Acquisition costs) was 22.5% for the six months ended June 30, 2021. The decrease in our capital-light businesses' percentage of Group EBITDA since 2019 primarily reflects our investment in the fund management infrastructure which we expect will in due course generate higher income as FUM continue to grow.

Fund and Investment Management business – FUM and Fund Deployment

The development of our Fund and Investment Management business is a key driver for growth within our business and, as such, the level of FUM is an important indicator of the development of the business. Since management fees are generated on the capital invested in portfolio purchases by the Fund Manager on behalf of LP investors, FUM is a key metric in assessing the delivery against our plans. As at December 31, 2019 and December 31, 2020, our FUM was €3.7 billion and €4.3 billion, respectively. We have a target to achieve FUM of approximately €10 billion (over £8.4 billion) by the end of 2025. However, there can be no assurance that we will be able to meet such targets within the relevant time frame or at all. See "*Forward-Looking Statements*" and "*Risk Factors—Risks Relating to the Transactions—This*

Offering Memorandum includes forward-looking statements, certain targets and assumptions in forecasts that involve risks and uncertainties."

To achieve this target for FUM, we will need to deploy the Fund to enable the commencement of subsequent funds. We continue to successfully deploy capital in the Fund. As of June 30, 2021 we had deployed 54% of the Fund (gross, before capital recycling and including both third-party and balance sheet co-investment), compared with 45% as of March 31, 2021. The Fund will need to be approximately 70% deployed before fundraising for a subsequent fund can commence. As of the date of this Offering Memorandum, excluding co-investment, the Fund is approximately 64% deployed, which we believe puts us in a good position to begin fundraising for a subsequent fund (ACO 2) in early 2022.

Portfolio investments and Net Deal IRR

We believe that the appetite for LP investors to invest in subsequent funds will be driven by the risk profile and returns generated on previous funds and, in particular the Fund since it is our inaugural fund. As such, Net Deal IRR is a key metric in assessing the returns that will ultimately be generated for LP investors and also for Arrow SMA, driving the revenues of our Balance Sheet business.

Net Deal IRR represents the return, based on gross collections after direct collection costs (including any margin for the servicer). Net Deal IRR is calculated using the actual collections to date and the ERC, which together represent the entire actual and expected future Cash Collections on an investment portfolio. For the 2020 vintage, the Net Deal IRR, as at June 30, 2021, was 21%. See "—*Our Business Model—Our business model: Balance Sheet business*."

The level of portfolio purchases by us, which have predominantly been made by Arrow SMA since the beginning of January 2020 when the Fund commenced deployment, is important, along with Net Deal IRR, to drive the revenue of our Balance Sheet business. Investment portfolios purchased during the years ended December 31, 2018, December 31, 2019, December 31, 2020 and the six months ended June 30, 2021 were £263.4 million, £303.7 million, £109.9 million and £94.8 million, respectively. The decrease in the level of purchases both in 2020 and during the first half of 2021 reflected the impact of the COVID-19 pandemic (see "—*Significant Factors Affecting Results of Operations—Impact of the COVID-19 pandemic*") and the transition to our integrated asset manager model, with purchases being made through co-investment alongside the Fund by Arrow SMA. We expect that our transition to the integrated fund manager model will continue to lead to reduced levels of portfolio investments as we focus on growing our capital-light businesses.

84-month and 120-month ERC

ERC represents the remaining Cash Collections on our portfolios and is measured over both an 84-month and 120-month period. We acquire a broad range of portfolios, including, but not limited to, unsecured consumer loans, such as defaulted or non-performing credit card or personal loan debt, secured consumer loans, such as defaulted residential mortgage debt, defaulted commercial loans, such as defaulted commercial mortgage debt and unsecured commercial loan in a bankruptcy where the recovery may be realization of business assets, cash in court, tax credits and real estate, and real estate, such as residential or commercial properties.

The 84-month ERC of our Existing Portfolios on our balance sheet was £1,572.2 million as of June 30, 2021, £1,555.8 million as of December 31, 2020, £1,817.9 million as of December 31, 2019 and £1,634.8 million as of December 31, 2018. As at June 30, 2021, 66% of our 84-month ERC represented unsecured portfolios and 34% represented secured portfolios. At this date, 36%, 26%, 21%, 15% and 2% of our 84-month ERC was originated in the UK, Portugal, Italy, the Netherlands and Ireland respectively. The 120-month ERC of our Existing Portfolios on our balance sheet was £1,732.8 million as of June 30, 2021, £1,722.4 million as of December 31, 2020, £2,035.4 million as of December 31, 2019 and £1,972.1 million as of December 31, 2018. Further, the 120-month ERC suggests over £1.3 billion cash flow prior to the maturity of the 2026 Notes in 2026.

Leverage

Leverage is measured as senior secured Net Debt divided by Adjusted EBITDA and is a key balance sheet metric. For the twelve months ended June 30, 2021, our leverage was 4.7 times compared to 5.1 times as at December 31, 2020, 3.4 times as of December 31, 2019 and 3.7 times as of December 31, 2018.

Generally, we are aiming towards a Net Debt reduction and we are specifically targeting our leverage to reach 4.0 times by the end of 2021 (before incurring the Transaction costs of approximately £85 million) and to be within our target range of approximately 3.0-3.5 times by 2023. These targets are indicative only and there can be no assurance that we will be able to achieve such targets within the planned time frame or at all. See "*Forward-Looking Statements*" and "*Risk Factors—Risks Relating to the Transactions—This Offering Memorandum includes forward-looking statements, certain targets and assumptions in forecasts that involve risks and uncertainties.*"

Our shift to an integrated asset manager model is fundamental to our ability to grow our earnings through the growth in our capital-light businesses, without the need to grow our balance sheet. This in turn will lead to our ability to de-lever and reduce our Net Debt and, we believe, will materially change our financial profile.

Description of Key Balance Sheet Statement Items

Portfolio investments

The primary assets held on our balance sheet are our investments in portfolios. The following table sets forth details relating to our portfolio investments at the dates indicated.

	As of December 31,			As of June 30,	
	2018	2019	2020	2020	2021
		(£'000)		(£'000)	
Portfolio investments – amortized cost	869,056	932,199	793,554	809,792	735,353
Portfolio investments – FVTPL	217,974	169,799	187,421	152,050	239,322
Portfolio investments – real estate inventories	—	61,626	61,240	65,486	53,351
Total portfolio investments	**1,087,030**	**1,163,624**	**1,042,215**	**1,027,328**	**1,028,026**
Total portfolio investments as a % of total assets	68.1%	69.7%	62.7%	62.8%	65.4%

Portfolio investments held directly on our balance sheet are typically accounted for under amortized cost, since the portfolio is deemed to be held within a 'business model' whose objective is to hold assets to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("**SPPI**"). The Group's co-investment alongside the Fund and Investment Management business is deemed to be held in a different 'business model' other than 'hold to collect,' as these portfolio investments are managed primarily on a fair value basis, with reporting to senior management on the performance of these assets being prepared on that basis, and key management remuneration being linked to the performance of such assets on a fair value basis. As such, the 'business model' of these portfolios is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell the Portfolio Assets. As such, our co-investment alongside the Fund and other co-investment portfolios purchased alongside other third-parties are classified as fair value through profit or loss ("**FVTPL**").

As part of our investment activities, we sometimes acquire real estate positions as part of a transaction. Where such real estate is acquired for the purposes of immediate resale, or where a sale will immediately follow a period of time where capital expenditure is being applied to the asset, such investments fall under the scope of IAS 2 – Inventories. In line with IAS 2, all assets classified as inventories are held at initial cost, plus any subsequent cost of capital expenditure. Such assets are held at the lower of cost and net realizable value, but apart from this, no gain or loss will be taken on the value of the assets until the point at which they are sold, or partially sold.

Initially, investment portfolios – amortized cost are held at the purchase price less any transaction fees. The effective interest rate ("**EIR**") for the portfolio is calculated using the 84-month ERC at underwriting. Revenue is calculated using the EIR method. On a biannual basis at June and December each year, we update the 84-month ERC and the output is reviewed by the PRC (chaired by the Group CEO), who consider any indicators of increases or decreases to our ERC. Where loan portfolios exhibit objective evidence of impairment, typically as the actual collections during the period and remaining 84-month ERC is less than the 84-month ERC at the start of the period, and an impairment loss is required to be recognized and we record an adjustment to the carrying value of the loan portfolio. If the forecast loan portfolio collections exceed initial estimates, typically as the actual collections during the period and remaining 84-month ERC is greater than the 84-month ERC at the start of the period, 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 profit or loss. See "*—Key accounting policies, judgements and assumptions and estimates—Key Accounting Policies*."

For investment portfolios – FVTPL, the process is similar with a few notable exceptions. Firstly, the initial costs of the acquisition, such as due diligence costs, are written-off to the profit and loss statement as incurred. Second, the EIR is calculated using the lifetime ERC rather than the 84-month ERC and whilst the EIR for an amortized cost portfolio will remain the same throughout the life of the transaction, under FVTPL, the EIR is adjusted for changes in market rates. As such, investment portfolios – FVTPL are effectively held at their fair value through the life of the transaction.

Goodwill

Goodwill on the balance sheet as at December 31, 2020 was £278.3 million, relating to the acquisitions made by the Target Group. See "*Business—Our History and Development*." This goodwill is recorded within the accounts of the Target and will not be reported on a go-forward basis in the consolidated accounts of the Parent. See "*—Key accounting policies, judgements and assumptions and estimates—Key Accounting Policies*." For accounting purposes, the goodwill is allocated, at acquisition, to a Cash Generating Unit ("**CGU**"). We have identified four CGUs: (i) UK and Ireland, comprising all Group companies acquired in the Capquest acquisition, Arrow Global Receivables Management Limited, Mars Capital, Bergen and Drydens; (ii) Portugal, comprising all of the Group companies acquired in the Whitestar, Gesphone, Redrock and Norfin acquisitions; (iii) Benelux, comprising all the Group companies acquired in the Vesting acquisition; and (iv) Italy, comprising Zenith, Parr Credit and Europa Investimenti S.p.A. The UK and Ireland, Portugal, Benelux and Italy CGUs, represent the cash flows generated principally from collections on acquired portfolio investments, management and servicing of third-party debt and fund and investment income. At each year end, an impairment review is carried out, using cash flow forecasts and an appropriate weighted average cost of capital. As at December 31, 2020, an impairment review was undertaken and we concluded that there was no impairment of goodwill. Goodwill as at December 31, 2020 was allocated to the CGUs as follows: £78.9 million to UK and Ireland, £73.6 million to Portugal, £43.1 million to Benelux and £82.7 million to Italy.

Description of Key Statement of Profit or Loss and Other Items

Total Income

A summary of our total income by type and period is set out below:

	As of December 31,			As of June 30,	
	2018	2019	2020	2020	2021
		(£'000)		(£'000)	
Income from portfolio investments at amortized cost	193,932	199,094	164,597	91,015	68,570
Fair value gains on portfolio investments at FVTPL	24,745	32,397	4,976	(12,841)	23,419
Impairment (losses)/gains on portfolio investments	50,727	12,714	(100,436)	(120,753)	17,655
Income from real estate inventories	—	561	492	167	1,033
Total Income from portfolio investments	269,404	244,766	69,629	(42,412)	110,677
Income from asset management and servicing and fund and investment management	91,661	94,360	97,026	45,458	55,646
Gain on disposal of leases	—	—	453	—	—
Other income	731	392	384	341	9
Total income	**361,796**	**339,518**	**167,492**	**3,387**	**166,332**

Income from portfolio investments at amortized cost

We recognize revenue from portfolio investments in accordance with IFRS 9 using the EIR method. The EIR is defined as the portfolio's IRR based on the portfolio purchase price and forecast 84-Month ERC as of the date of purchase for portfolios held at amortized cost. The calculation of the EIR includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition, such as legal and due diligence fees.

We reassess and adjust the EIR up to twelve 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 portfolio investments.

Income from portfolio investments at amortized cost is then calculated by multiplying the carrying value of each loan portfolio as of the beginning of the period by the EIR.

Fair value gains on portfolio investments at FVTPL

For the portfolios held at an amortized cost, the total returns from the portfolio include the interest income, reported through Income from portfolio investments at amortized cost, together with changes arising from Cash Collections being different from the ERC and also from changes to our ERC, which are reported through the impairment gains/(losses) on portfolio investments. For portfolios held at FVTPL, the fair value gains on portfolio investments at FVTPL represents all of the income and expenses relating to our portfolio investments which are classified as FVTPL. The line item includes fair value changes, interest and dividends.

As such, the fair value gains on portfolio investments at FVTPL on a portfolio will represent the change in the carrying value of the portfolio, together with the actual Cash Collections on the portfolio. The carrying value is assessed based on the ERC at the period-end, discounted at the EIR. The EIR is calculated using the lifetime ERC, rather than an 84-month ERC for amortized cost portfolios, and the EIR will vary during the life of the portfolio due to changes in the risk free rate or other market movements.

Transaction costs that are directly attributable to the acquisition of portfolios, such as legal and due diligence fees, for portfolios held at FVTPL are expensed directly to the statement of income and expenditure as incurred. This is different from the treatment for a similar portfolio held at amortized cost.

Impairment (losses)/gains on portfolio investments

As noted above, an important component in the accounting for both portfolio investments held at amortized cost and at FVTPL, is our assessment of the ERC. See "*—Key accounting policies, judgements and assumptions and estimates—Key Accounting Assumptions and Estimates—Carrying value of portfolio investments*."

We reassess our ERC at least every six months utilizing both the local knowledge from the servicer and the broader macro factors. Following the re-assessment of our ERC, we re-calculate the carrying value of the portfolio using the EIR, which for portfolios held at amortized cost does not change after the initial period up to the twelve-month period. Any change in the carrying value of such portfolios is reported as an Impairment gains/(losses) on portfolio investments.

In assessing the carrying value of Portfolios held at amortized cost, we will continue to use the 84-month ERC and as such, absent any other changes, the carrying value will increase from one period to the next as forecast collections in month 85 are included within the calculation. Such expected collections are discounted using the EIR to calculate the change in value of the carrying

value. Since several of our portfolios, particularly our unsecured portfolios, have long annuity type collection profiles, such future collections are not included within our 84-month ERC.

Income from real estate inventories

As part of our investment activities, we sometimes acquire real estate positions as part of a transaction. Where such real estate is acquired for the purposes of immediate resale, or where a sale will immediately follow a period of time where capital expenditure is being applied to the asset, such investments fall under the scope of IAS 2 – Inventories. In line with IAS 2, income is recognized at the time of disposal of the real estate and is measured as a gain or loss on the transaction, based on the sale proceeds, after any selling costs, less the cost of acquisition, after any acquisitions fees and costs, and less the costs of any capital expenditure incurred.

Income from asset management and servicing and fund and investment management

Income from our Asset Management and Servicing business and our Fund and Investment Management business, i.e., our capital-light businesses, are predominantly reported as Income from asset management and servicing and fund and investment management.

Income from asset management and servicing contracts with clients is measured based on the consideration specified in a contract with a client. We recognize revenue when the Asset Management and Servicing business satisfies a performance obligation related to a service it has undertaken to provide to a client. Servicing income makes up the majority of the asset management and servicing income, and in itself comprises a broad range of services, including secured and unsecured collection activity, real estate asset realization, legal title holding, data analytical forecasting, due diligence activities, forensic valuations, initial platform migration and on-boarding activities, securitization vehicle set-up and ongoing management activities, new origination activities, litigation and court process management and third-party sub-servicer management. In all material cases, the services are provided at a point in time that corresponds to the satisfaction of the related performance obligations. As such, revenue arising from servicing income is normally recognized as the services are provided to the client, with no deferral or acceleration of revenue across the life of the contract.

Fund and investment management income encompasses services provided in relation to the discretionary and semi-discretionary allocation and management of third-party capital. Fees for fund and investment management services are normally calculated based on a fixed percentage of the value of assets managed and deducted from the client's account balance on a regular basis. Income from fund and investment management services is recognized over time as the services are provided.

Performance-related fees are recognized only where it is highly probable that the revenue will not be reversed in the future. This is generally near the end of the performance period or upon early liquidation of a fund. Performance-related fees will only be crystallized when a performance hurdle is met. The estimate of performance fees is made with reference to the liquidation profile for the Fund, which factors in portfolio exits and timeframes. A constraint is applied to the estimate to reflect uncertainty of future fund performance. To date, no performance fees on the Fund have been recognized.

In some instances, fees may be paid to a third party which are directly linked to the acquisition of a long-term contract with a client. In line with IFRS 15 requirements, such costs are included on the balance sheet as a cost to acquire a client contract, and are released to the comprehensive statement of profit or loss over time, on a profile corresponding with the period over which economic benefits will be derived from the contract. As at December 31, 2020 and December 31, 2019, we had assets relating to contracts with clients in the amount of £8.8 million and £3.1 million, respectively. These assets fully relate to up-front costs which were incurred to acquire clients within our Fund and Investment Management business, and will be released to the comprehensive statement of profit and loss across the same period as the associated income will be recognized, which is the lifetime of the related fund.

A key judgement made in recognizing these costs which were incurred to acquire clients was whether or not the investors in the Fund met the definition of a "customer" in accordance with IFRS 15. Given the relatively small number of typically larger, institutional investors with which we engage on an individual basis as part of the client acquisition process, this was deemed to meet the definition of a "customer" under IFRS 15 guidance. As at December 31, 2020, the weighted average life remaining on these contract balances was 7 years and 9 months. The contract balances amortized in the year ended December 31, 2020, resulting in a £0.7 million of amortization expensed to the comprehensive statement of profit and loss in 2020 with no expense in prior periods.

Operating expenses

Our operating expenses comprise Collection Activity and Fund Management Costs and other operating expenses.

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

	For the year ended December 31,			**For the six months ended June 30,**	
	2018	**2019**	**2020**	**2020[1]**	**2021[2]**
		(£'000)		**(£'000)**	
Collection Activity and Fund Management Costs	119,041	131,527	130,572	64,279	66,400
Other operating expenses	135,972	102,173	94,248	48,040	69,185
Total operating expenses	**255,013**	**233,700**	**224,820**	**112,319**	**135,585**

Collection Activity and Fund Management Costs represent the direct costs of in-house and external collections related to our investment portfolios, portfolios acquired by the Fund and on behalf of third parties within our Asset and Management Servicing business such as salaries, commissions paid to third-party outsourced providers and legal costs associated with collections and other services. The largest component of our Collection Activity and Fund Management Costs is staff costs.

The following table sets forth a breakdown of Collection Activity and Fund Management Costs for the periods under review.

	For the year ended December 31,			For the six months ended June 30,	
	2018	2019	2020	2020	2021
		(£'000)		(£'000)	
External collection costs	40,417	31,499	28,345	15,426	12,320
Staff costs	41,100	62,761	62,458	29,395	30,467
Direct temporary labor	5,347	5,476	4,981	2,732	2,266
Direct operating costs	13,876	15,057	22,828	10,927	14,731
Legal disbursements	15,348	14,416	8,944	4,470	5,863
Other collection activity costs	2,953	2,318	3,061	1,329	753
Total Collection Activity and Fund Management Costs	**119,041**	**131,527**	**130,572**	**64,279**	**66,400**

Other operating expenses consist of staff costs, other staff-related costs, premises, IT expenses, depreciation and amortization, net foreign exchange gains or losses and other operating expenses, such as travel costs and professional fees and services. Our professional fees and services represent third-party services such as audit and non-audit fees from our independent auditors, company secretarial and legal and outsourced payroll services.

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

	For the year ended December 31,			For the six months ended June 30,	
	2018	2019	2020	2020	2021
		(£'000)		(£'000)	
Staff costs[(i)]	53,346	36,170	40,074	20,418	21,071
Other staff related costs[(ii)]	8,625	11,591	6,389	3,469	2,378
Premises	8,242	5,401	4,485	1,858	1,661
IT	11,520	13,830	14,459	7,270	6,921
Depreciation and amortization	14,235	18,435	18,910	8,151	8,581
Write-off of Plant, Property, Equipment and intangible assets	—	6,377	249	—	—
Net foreign exchange (losses)/gains	(2)	1,018	743	732	(407)
Acquisition related expenses	14,717	1,457	—	—	22,356
Effective tax contingent consideration remeasurement	—	—	(5,755)	—	—
Deferred reconsideration renegotiations	—	(21,119)	—	—	—
Other operating expenses	25,289	29,013	14,694	6,142	6,624
Total other operating expenses	**135,972**	**102,173**	**94,248**	**48,040**	**69,185**

(i) Relates to wages, bonuses and salaries, pension costs, social security costs, share-based payments and staff restructuring.
(ii) Relates to temporary labor, recruitment and training costs.

Finance income and costs

Our finance income consists of interest income on bank deposits.

Our finance costs for the periods under review represent primarily interest payments related to the Arrow Global Revolving Credit Facility, the Non-Recourse Facilities, the 2024 Notes (since September 2016 and March 2018, as applicable), the 2025 Notes (since March 2017), the 2026 Notes (since March 2018 and February 2021, as applicable), interest rate swap and forward

exchange contract hedge costs, lease liability interest and other interest. After giving effect to the Transactions, our finance costs will consist of primarily interest payments related to the Notes and the Revolving Facility, together with the Non-Recourse Facilities, interest rate swap and forward exchange contract hedge costs, lease liability interest and other interest.

The following table sets forth details relating to our finance income and costs during the periods under review.

	For the year ended December 31,			For the six months ended June 30,	
	2018	2019	2020	2020	2021
		(£'000)		(£'000)	
Interest and similar charges on bank loans	7,168	8,028	8,324	3,928	4,062
Interest and similar charges on senior secured notes[(1)]	37,458	38,232	38,648	19,103	20,055
Interest and similar charges on the Non-Recourse Facilities	—	2,509	6,205	1,780	4,655
Interest rate swap and forward exchange contract hedge costs	1,568	515	370	222	39
Lease liability interest[(2)]	—	1,395	1,107	483	527
Other interest	2,016	3,880	2,902	1,515	903
Bond refinancing costs	18,658	—	—	—	—
Total interest expense	**66,868**	**54,559**	**57,556**	**27,031**	**30,241**
Finance income	(76)	(61)	(61)	(21)	(4)
Total finance income and costs	**66,792**	**54,498**	**57,495**	**27,010**	**30,237**

(1) The 2024 Notes, the 2025 Notes and the 2026 Notes are presented as "Senior secured notes" in our consolidated financial statements. See "*Presentation of Financial and Other Information—Financial Information for the Target Group*."

(2) Comprises costs incurred in relation to the redemption of the 2020 Notes in 2016.

Our finance costs for the periods under review currently primarily comprise the following:

- *2024 Notes*. From September 2016, interest, ongoing costs and amortization of the upfront costs on the Original 2024 Notes is payable every March 15 and September 15 beginning on March 15, 2017 at a rate of 5.125% per annum. From March 2018, interest of the Additional 2024 Notes is payable every March 15 and September 15 beginning September 15, 2018 at a rate of 5.125% per annum. See "*—Liquidity and Capital Resources—Borrowings*."

- *2025 Notes*. From March 2017, interest, ongoing costs and amortization of the upfront costs on the 2025 Notes is payable every January 1, April 1, July 1 and October 1 of each year, beginning on July 1, 2017 at a rate of three-month EURIBOR plus 2.875% per annum, reset quarterly, provided that EURIBOR shall never be less than 0%. See "*—Liquidity and Capital Resources—Borrowings*."

- *2026 Notes*. From March 2018, interest, ongoing costs and amortization of the upfront costs on the 2026 Notes is payable every March 1, June 1, September 1 and December 1 of each year, beginning on June 1, 2018 at a rate of three-month EURIBOR plus 3.750% per annum, reset quarterly, provided that EURIBOR shall never be less than 0%. From February 2021, interest on the 2026 Notes is payable every March 1, June 1, September 1 and December 1 of each year, beginning on March 1, 2021 at a rate of three-month EURIBOR plus 3.750% per annum, reset quarterly, provided that

EURIBOR shall never be less than 0%. See "*—Liquidity and Capital Resources—Borrowings*."

- *Revolving Facility*. Interest, commitment fees on undrawn commitments, ongoing costs and amortization of the upfront costs on borrowings under the Revolving Facility is payable at a rate per annum equal to LIBOR or EURIBOR (as applicable and provided that LIBOR or EURIBOR shall never be less than 0%) plus certain mandatory costs and a margin of between 2.50% and 2.85% per annum. See "*—Liquidity and Capital Resources-Borrowings—Revolving Facility*."

- *Non-Recourse Facilities*. Interest, ongoing costs and amortization of the upfront costs on borrowings under the Non-Recourse Facilities payable at a rate per annum equal to one-month LIBOR plus 3.10% per annum in respect of the Sterling Non-Recourse Facility and three-month EURIBOR (provided that LIBOR or EURIBOR shall never be less than 0%) plus 4.25% per annum in respect of the Euro Non-Recourse Facility. A commitment fee on the undrawn commitment was payable on the Sterling Non-Recourse Facility up to July 2020. See "*—Liquidity and Capital Resources—Borrowings—Non-Recourse Facilities*."

- *Interest rate swap and forward exchange contract hedge costs*. The costs of the interest rate and foreign exchange contracts taken out to hedge our interest rate and foreign exchange exposures. See "*—Qualitative and Quantitative Disclosure of Market Risk—Interest rate risk*" and "*—Qualitative and Quantitative Disclosure of Market Risk—Foreign currency risk*."

- *Lease liability interest*. The interest element of lease payments, in respect of various plant, property and other equipment leased in our ordinary course of business.

- *Bond refinancing costs*. In 2018, we incurred bond refinancing costs of £18.7 million incurred on the early redemption of our €230 million notes due 2023, of which £13.6 million was a cash cost related to the call premium. The remaining £5.0 million was due to a non-cash write-off of related transaction fees, in connection with the 2023 Notes.

Taxation charge/(credit) on ordinary activities

We have entities in the UK, Portugal, the Netherlands, Italy, Ireland, Guernsey and Jersey. Corporation tax is payable in respect of our entities incorporated in these jurisdictions, based on taxable profits, which are different from the reported profits, and the relevant tax rate applicable in each jurisdiction.

Given the predominance of our UK activities, the analysis in our consolidated financial statements uses the UK corporate statutory tax rate prevailing in the accounting period in question. A summary of the taxation charge, our effective tax rate and the differences in the effective tax rate for the period against the standard rate of corporation tax in the UK is shown in the table below:

	For the year ended December 31,		
	2018	2019	2020
	(£'000)		
Profit/(loss) before tax	39,991	51,320	(114,823)
Tax charge at standard UK corporation tax rate	7,598	9,751	(21,816)
Effect of tax rates in foreign jurisdictions	2,606	2,052	1,950
Changes in estimates relating to prior years	(933)	2,421	(5,077)
Expenses not deductible for tax purposes	768	(358)	2,293
Changes in corporate tax rates during the year	(17)	(1,209)	842
Movements in unrecognized deferred tax	—	1,376	602
Total tax charge/(credit)	**10,022**	**14,033**	**(21,206)**
Effective Tax Rate	25.1%	27.3%	18.5%

For the six months ended June 30, 2021, our effective tax rate was 10.0%. The primary driver for this lower tax charge is the restatement of the UK deferred tax asset to reflect the enactment of Finance Act 2021, which increases the UK corporation tax rate from 19% to 25% effective from April 1, 2023. At the March 2021 United Kingdom budget, the UK government announced an increase to the rate of UK corporation tax for the year, commencing April 1, 2023, and setting the rate at 25% which rate was approved with the passing into law of the Finance Act 2021 on June 10, 2021. The 10% effective tax rate primarily reflects the impact of a £3.7 million credit to reflect the restatement of the UK deferred tax asset, representing UK tax losses, as a result of the Finance Act 2021.

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 on 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.

As of December 31, 2020, we had a deferred tax asset of £27.7 million relating to losses, including £98.2 million of UK tax losses, which are held on the balance sheet as a deferred tax asset of £18.7 million, due to the losses arising from the non-cash impairment arising in the year ended December 31, 2020. Of the remaining £9.0 million deferred tax asset relating to losses, the majority relate to £27.3 million of tax losses in the Netherlands, due to the difference in the recognition of accounting profits and taxable profits within the Netherlands.

The recent tax changes in the jurisdictions in which we operate are as follows:

(a) The Finance (No.2) Act 2015, as amended by the Finance Act 2016, included provisions to reduce the rate of UK corporation tax to 17% with effect from April 1, 2020. The UK Government enacted legislation for the rate to remain at 19%. At the March 2021 United Kingdom budget, the UK government announced an increase to the rate of UK corporation tax for the year, commencing April 1, 2023,

and setting the rate at 25% which rate was approved with the passing into law of the Finance Act 2021 on June 10, 2021.

(b) In December 2019, a new corporate tax law was enacted in the Netherlands. Consequently, as of January 1, 2020, the corporate tax rate in the Netherlands was reduced from 25% to 21.7%. This change resulted in a gain of £1,147,000 related to the remeasurement of deferred tax assets and liabilities of our Dutch subsidiaries being recognized during the year ended December 31, 2019. In September 2020, the Dutch Government announced the reversal of this planned decrease, maintaining the rate at 25%. A credit of £1,147,000 has been reflected in the year ended December 31, 2020, which reverses the prior year restatement.

Results of Operations

The following table sets forth information relating to our balance sheet and the statement of profit or loss and other comprehensive income (in the latter case, including as a percentage of total revenue) during the periods under review.

Consolidated Balance Sheet Data

	As of December 31,			As of June 30,	
	2018	2019	2020	2020	2021
		(£'000)		(£'000)	
Assets					
Portfolio investments – amortized cost	869,056	932,199	793,554	809,792	735,353
Portfolio investments – FVTPL	217,974	169,799	187,421	152,050	239,322
Portfolio investments – real estate inventories	—	61,626	61,240	65,486	53,351
Total Portfolio investments	1,087,030	1,163,624	1,042,215	1,027,328	1,028,026
Liabilities					
Senior secured notes[(1)]	926,340	897,875	930,575	937,831	967,059
Revolving credit facility (net of issuance costs)	242,121	230,963	277,552	280,788	201,504
Asset-Backed loans	—	84,077	143,985	91,950	93,856
Bank overdrafts	2,696	1,386	3,648	4,198	3,094
Other borrowings[(2)]	11,635	3,672	3,247	4,365	2,487

(1) The 2024 Notes, the 2025 Notes and the 2026 Notes are presented as "Senior secured notes" in the Target Group's consolidated financial statements. See "*Presentation of Financial and Other Information—Financial Information for the Target Group*."

(2) Other borrowings represent borrowings by certain SPVs that we do not control, but are consolidated in our financial statements for accounting purposes.

	For the year ended December 31,			For the six months ended June 30,	
	2018	2019	2020	2020	2021
		(£'000)		(£'000)	
Income from portfolio investments at amortized costs[(1)]	193,932	199,094	164,597	91,015	68,570
Fair value gains on portfolio investments at FVTPL	24,745	32,397	4,976	(12,841)	23,419
Impairment (losses)/gains on portfolio investments	50,727	12,714	(100,436)	(120,753)	17,655
Income from real estate inventories	—	561	492	167	1,033
Total income from portfolio investments	**269,404**	**244,766**	**69,629**	**(42,412)**	**110,677**
Income from asset management and servicing and fund and investment management	91,661	94,360	97,026	45,458	55,646
Gain on disposal of leases	—	—	453	—	—
Profit on sale of property	731	—	—	—	—
Other income	—	392	384	341	9

	For the year ended December 31,			For the six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
		(£'000)		**(£'000)**	
Total income	**361,796**	**339,518**	**167,492**	**3,387**	**166,332**
Operating expenses:					
Collection Activity and Fund Management Costs	(119,041)	(131,527)	(130,572)	(64,279)	(66,400)
Other operating expenses	(135,972)	(102,173)	(94,248)	(48,040)	(69,185)
Total operating expenses	**(255,013)**	**(233,700)**	**(224,820)**	**(112,319)**	**(135,585)**
Operating profit/(loss)	106,783	105,818	(57,328)	(108,932)	30,747
Finance income	76	61	61	21	4
Finance costs	(66,868)	(54,559)	(57,556)	(27,031)	(30,241)
Profit/(loss) before tax	**39,991**	**51,320**	**(114,823)**	**(135,942)**	**510**
Taxation credit/(charge) on ordinary activities	(10,022)	(14,033)	21,206	25,509	(1,375)
Profit/(loss) after tax	**29,969**	**37,287**	**(93,617)**	**(110,433)**	**(865)**
Other comprehensive income:					
Items that are or may be reclassified subsequently to profit or loss:					
Foreign exchange translation difference arising on revaluation of foreign operations	1,370	(7,077)	6,741	9,534	(6,466)
Movement on hedging reserve	(241)	161	356	167	35
Total comprehensive income/(loss)	**31,098**	**30,371**	**(86,520)**	**(100,732)**	**(7,296)**
Profit/(loss) after tax attributable to:					
Owners of the Company	29,969	35,223	(92,829)	(109,771)	(938)
Non-controlling interest	—	2,064	(788)	(662)	73
	29,969	**37,287**	**(93,617)**	**(110,433)**	**(865)**

Consolidated balance sheet as of June 30, 2021 compared to consolidated balance sheet as of December 31, 2020

Portfolio investments

Purchased portfolio investments decreased £14.9 million, or 1.4%, from £1,042.2 million as of December 31, 2020 to £1,027.3 million as of June 30, 2021. This decrease was principally due to the fact that collections exceeded income (together with any impairment gains or losses) and the re-investment in portfolios. Cash collections in the first half of 2021 were £179.6 million (six months ended June 30, 2020: £175.7 million), reflecting our continued robust operational performance and the execution of a range of active portfolio management actions, despite the continuing impact of the COVID-19 pandemic. Unsecured collections from our UK business benefited from the recommencement of litigation collections strategies, with an acceleration of activity in during the fourth quarter of 2020 supporting strong performance throughout the first half of 2021. Elsewhere in Europe our unsecured collections remained robust and generally the performance of this asset class underlines the strength of our underwriting processes. Secured asset collections in Italy and Portugal during the first quarter of 2021 were impacted by the COVID 19 pandemic which halted real estate market transactions and court processes, such as auctions, impacting the resolution of larger positions.

The movements in purchased loan portfolio assets were as follows:

	Amortized cost	FVTPL	Real estate inventories	Total
	(£'000)			
As of the period-end brought forward (December 31, 2020)	**793,554**	**187,421**	**61,240**	**1,042,215**
Portfolios purchased during the current period	18,997	75,778	—	94,775
Balance sheet Cash Collections during the current period	(141,249)	(30,930)	(7,430)	(179,609)
Income from portfolio investments at amortized cost	68,570	—	—	68,570
Fair value gain on portfolio investments at FVTP	—	23,419	—	23,419
Income from portfolio investments – real estate inventories	—	—	1,033	1,033
Net impairment gains/(losses)	17,752	—	(97)	17,655
Exchange and other movements	(22,271)	(16,366)	(1,395)	(40,032)
As of the current period-end (June 30, 2021)	**735,353**	**239,322**	**53,351**	**1,028,026**

Consolidated statement of profit or loss and other comprehensive income for the six months ended June 30, 2021 compared to consolidated statement of profit or loss and other comprehensive income for the six months ended June 30, 2020

Income from portfolio investments

Income from portfolio investments increased by £153.1 million, from a loss of £42.4 million as of June 30, 2020 to £110.7 million as of June 30, 2021. This increase was primarily due to the non-recurrence of the non-cash impairment charge of £120.8 million in income during the six months ended June 30, 2020 relating to the write-down of the ERC balance sheet asset. See "*—Significant Factors Affecting Results of Operations—Impact of the COVID-19 pandemic.*" For the six month period ended June 30, 2021, there was a net impairment gain of £17.7 million on the investment portfolios held at amortized cost.

Income from Fund and Investment Management and Asset Management and Servicing businesses

Income from Fund and Investment Management and Asset Management and Servicing businesses increased by £10.1 million, or 22%, from £45.5 million as of June 30, 2020 to £55.6 million as of June 30, 2021. This increase was due to both the increase in management fees within the Fund and Investment Management business and the increase in servicing revenue within our Asset Management and Servicing business. Our Fund and Investment Management business generated third-party management fee income of £10.8 million in the first half of 2021 (six months ended June 30, 2020: £5.6 million) reflecting the strong level of capital deployment in the Fund. The second quarter of 2021 saw the highest rate of fund deployment to date, and, according to our assessments, we believe that we are on track to begin fundraising for our second fund in early 2022. FUM were €4.8 billion as of June 30, 2021 (December 31, 2020: €4.3 billion), including the Fund and Investment Management and Asset Management and Servicing business subsidiaries of Norfin, Europa Investimenti and Sagitta. The increase in FUM was driven primarily by Norfin and Sagitta. The Asset Management and Servicing business continues to benefit from the servicing opportunities arising from the deployment of the Fund. Asset management and Servicing income from third-parties increased by 12.6% to £44.8 million (six months ended June 30, 2020: £39.8 million), reflecting the 37 new third-party contracts won between the start of 2020 and June 30, 2021. Third-party demand for our asset servicing capability remains high as the volume of European NPL assets grow, with 11 new contracts won in the first half of 2021, following on from the record 26 contract wins during 2020.

Operating expenses

Operating expenses increased by £23.3 million, or 21%, from £112.3 million as of June 30, 2020 to £135.6 million as of June 30, 2021. Given that certain operating expenses relating to the Acquisition were incurred during the relevant period that would otherwise not have been incurred in the reporting period (including the professional advisor fees incurred and because certain share-based payments and retention arrangements for key personnel below the executive director level were accelerated), accounts for £22.4 million of the aforementioned £23.3 million increase in operating expenses. Total operating expenses before the Acquisition-related costs increased slightly to £113.2 million (six months ended June 30, 2020: £112.3 million). This increase was principally due to the combined effects of the following:

Collection Activity and Fund Management Costs. Collection Activity and Fund Management Costs increased by £2.1 million, or 3%, from £64.3 million as of June 30, 2020 to £66.4 million as of June 30, 2021. While there was a reduction in Collection Activity and Fund Management Costs during the relevant period, this was offset by an increase in litigation costs and fund management costs, with the latter being driven by the build out of the Fund and Investment Management business, including a number of strategic hires in 2021, the creation of new teams and the build out of functions, as well as other costs associated with the strategic pivot to the asset manager model.

Other operating expenses. Other operating expenses (excluding £22.4 million of costs related to the Acquisition) decreased by £2.1 million, or 43%, from £48.0 million as of June 30, 2020 to £46.8 million as of June 30, 2021. This decrease was primarily due to strong cost control, which was largely offset the accrual for increased bonus payments during the six months ended June 30, 2021.

Finance costs

Net finance costs increased slightly by £3.2 million, or 12%, from £27 million as of June 30, 2020 to £30.2 million as of June 30, 2021. This increase was in line with expectations and reflected the successful tap offering of the 2026 Notes completed during the first quarter of 2021.

Taxation credit/(charge) on ordinary activities

Taxation on ordinary activities decreased from a taxation credit of £25.5 million as of June 30, 2020 to a taxation charge of £1.4 million as of June 30, 2021. This primarily reflects the losses arising during the six months ended June 30, 2020 due to the non-cash impairment charge of £120.8 million, compared with the profit before taxation during the six months ended June 30, 2021.

The effective tax rate for the six months ended June 30, 2021 was 10.0%, compared to 18.8% for the six months ended June 30, 2020. The low effective tax rate primarily reflects the credit of £3.7 million due to the restatement of the UK deferred tax asset, arising from the losses incurred in 2020. Deferred taxation is measured at the tax rates that are expected to apply in the periods in which the tax losses and temporary timing differences are expected to reverse. At the March 2021 United Kingdom budget, the UK government announced an increase to the rate of

UK corporation tax for the year, commencing April 1, 2023, and setting the rate at 25% which rate was approved with the passing into law of the Finance Act 2021 on June 10, 2021.

Profit/(loss) after tax

As a result of the foregoing factors, loss after tax decreased by £109.6 million, or 99%, from £110.4 million for the six months ended June 30, 2020 to £0.9 million for the six months ended June 30, 2021. Without adjusting for takeover costs related to the Acquisition, profit before taxation for the six months ended June 30, 2021 was £22.9 million, with an associated taxation of £2.3 million. As such, without adjusting for takeover costs related to the Acquisition, profit after taxation for the six months ended June 30, 2021 was £20.6 million.

Consolidated balance sheet as of December 31, 2020 compared to consolidated balance sheet as of December 31, 2019

Portfolio investments

Purchased portfolio investments decreased £121.4 million, or 10.4%, from £1,163.6 million as of December 31, 2019 to £1,042.2 million as of December 31, 2020. This decrease was principally due to lower collections and lower investments in new portfolio acquisitions as a result of the COVID-19 pandemic. See *"—Significant Factors Affecting Results of Operations—Impact of the COVID-19 pandemic.*" As a result of the COVID-19 pandemic, we proactively managed cash in the first half of 2020 and took decisive action to reduce the level of investments. We experienced a slowdown in the market, predominantly driven by financial institutions taking a prudent approach to valuations and banks focusing on initial provisioning over asset sales during the first half of 2020. Full-year purchases for 2020 were £109.9 million (2019: £303.7 million), partly due to the impact of COVID-19 impact as well as our new investment model. In 2020, our balance sheet was typically invested alongside the Fund, with our participation in the Fund being at 25%.

In 2020, balance sheet cash collections from our portfolio asset base were £338.9 million (2019: £442.3 million), with the decrease primarily due to the impact of the COVID-19 pandemic as government imposed lock-downs and customer uncertainty reduced collections performance. As a result of the uncertainty, we revalued the ERC balance sheet asset as of June 30, 2020 resulting in a non-cash impairment of portfolio investments in the amount of £133.6 million, subsequently reducing to £95.5 million as of December 31, 2020. Cash collections performed well against revised estimates in the second half of 2020, outperforming by approximately 25%. See "*—Significant Factors Affecting Results of Operations—Impact of the COVID-19 pandemic*" for further details of the write down to the ERC.

The movements in purchased loan portfolio assets were as follows:

	Amortized cost	FVTPL	Real estate inventories	Total
		(£'000)		
As of the period-end brought forward (December 31, 2019)	**932,199**	**169,799**	**61,626**	**1,163,624**
Portfolios purchased during the current period	47,169	62,681	—	109,850
Balance sheet Cash Collections during the current period	(287,662)	(46,074)	(5,136)	(338,872)
Income from portfolio investments at amortized cost	164,597	—	—	164,597

	Amortized cost	FVTPL	Real estate inventories	Total
		(£'000)		
Fair value gain on portfolio investments at FVTPL	—	4,976	—	4,976
Income from portfolio investments – real estate inventories	—	—	492	492
Net impairment losses	(100,022)	—	(414)	(100,436)
Exchange and other movements	37,273	(3,961)	4,672	37,894
As of the current period-end (December 31, 2020)	**793,554**	**187,421**	**61,240**	**1,042,215**

Consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2020 compared to consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2019

Income from portfolio investments

Income from portfolio investments decreased £175.2 million, or 71.6%, from £244.8 million in 2019 to £69.6 million in 2020. This decrease was principally due to the non-cash impairment as noted above, together with the lower revenue from lower investments.

Income from Asset Management and Fund and Investment Management businesses

Income from Asset Management and Fund and Investment Management businesses increased £2.6 million, or 2.8%, from £94.4 million in 2019 to £97.0 million in 2020. This increase, despite the COVID-19 pandemic, demonstrates the resilience of the income from our capital-light businesses. The £2.6 million increase was principally due to the increased revenue generated by our Asset Management and Servicing business that, throughout 2020, secured a record 26 new contract wins, driven by demand for us as a servicing partner for financial institutions that require additional collections capacity given the growth of NPL volumes as a result of the COVID-19 pandemic. Furthermore, the launch of the Fund in late 2019 meant that we started to generate additional management fees within our Fund and Investment Management business.

Total operating expenses

Operating expenses decreased £8.9 million, or 3.8%, from £233.7 million in 2019 to £224.8 million in 2020. This decrease was principally due to the combined effects of the following:

Collection Activity and Fund Management Costs. Collection Activity and Fund Management Costs decreased £0.9 million, or 0.7%, from £131.5 million in 2019 to £130.6 million in 2020. This decrease was primarily due to reduced litigation activity, which was curtailed due to the COVID-19 pandemic, with legal disbursements reducing from £14.4 million in 2019 to £8.9 million in 2020, partially offset by higher direct operating costs, primarily from our investment in the Fund and Investment Management business following the launch of the Fund in late 2019. Since a portion of our collections activity is outsourced to third-parties, weaker collections performance will result in a reduction in the costs payable.

Other operating expenses. Other operating expenses decreased £8.0 million, or 7.8%, from £102.2 million in 2019 to £94.2 million in 2020. This decrease was primarily due to strict cost control as we sought to mitigate the impact of weaker collections and the non-impairment write-

down of the ERC. For a period during 2020, we cancelled all non-essential operating and capital expenditure whilst we evaluated the potential impact of the COVID-19 pandemic.

Finance costs

Net finance costs increased £3.0 million, or 5.5%, from £54.6 million in 2019 to £57.6 million in 2020. This increase was primarily due to our raising the Euro Non-Recourse Facility to strengthen the balance sheet and provide additional financing during the COVID-19 pandemic.

Taxation credit/(charge) on ordinary activities

Taxation on ordinary activities decreased from a taxation charge of £14.0 million in 2019 to a taxation credit of £21.2 million in 2020. This decrease was primarily due to losses incurred during the year as a result of the non-cash impairment. We recognized a deferred tax asset in relation to losses of £27.7 million (2019: £6.4 million), of which £18.7 million (2019: £nil) relate to the UK.

The effective tax rate 18.5% in 2020, compared to a rate of 27.3% in 2019. The difference primarily relates to the impact of the non-cash impairment, which was predominantly incurred in the UK which has a lower standard corporation taxation rate than the other jurisdictions in which we operate.

Profit after tax

As a result of the foregoing factors, profit after tax decreased from a profit of £37.3 million for 2019 to a loss of £93.6 million for 2020.

Consolidated balance sheet as of December 31, 2019 compared to consolidated balance sheet as of December 31, 2018

Portfolio investments

Purchased portfolio investments increased £76.6 million, or 7%, from £1,087.0 million as of December 31, 2018 to £1,163.6 million as of December 31, 2019. This increase was principally due to the high levels of investments made. Throughout 2019, the pricing environment and quantum of opportunities within our markets remained attractive and we committed to investing a record £303.7 million in new portfolios, with £62.9 million of this payment deferred to 2020 (2018: £263.4 million purchased, with £12.0 million deferred). Cash collections during 2019 from our purchased portfolio asset base increased to £442.3 million (2018: £411.6 million), reflecting continued strong operational performance. As of December 31, 2019, we had cumulatively collected 104% of our initial underwriting expectation on all portfolios, consistent with the position as of December 31, 2018. We purchased an increasing proportion of secured assets, including real estate assets. Whilst cash collections from unsecured assets, our original asset class, tend to be recognized on a more consistent basis quarter to quarter, the increasing cash collections from secured assets, where cash collections are more frequently realized at one point in time, rather than collected gradually over time, was resulting in greater quarterly variability of cash collections. However, secured portfolios typically have a shorter payback than unsecured portfolios.

The movements in purchased loan portfolio assets were as follows:

	Amortized cost	FVTPL	Real estate inventories	Total
		(£'000)		
As of the period-end brought forward (December 31, 2018)	**869,056**	**217,974**	—	**1,087,030**
Portfolios purchased during the current period	248,470	30,052	25,165	303,687
Transfer between categories[(1)]	11,483	(55,262)	43,779	—
Balance sheet Cash Collections during the current period	(390,734)	(48,034)	(3,543)	(442,311)
Income from portfolio investments at amortized cost	199,094	—	—	199,094
Fair value gain on portfolio investments at FVTPL	—	32,397	—	32,397
Income from portfolio investments – real estate inventories	—	—	561	561
Net impairment gains/(losses)	12,720	—	(6)	12,714
Exchange and other movements	(4,729)	(7,328)	(4,330)	(16,387)
Portfolio restructure[(2)]	(13,161)	—	—	(13,161)
As of the current period-end (December 31, 2019)	**932,199**	**169,799**	**61,626**	**1,163,624**

(1) Represents positions where we originally held one type of instrument relating to a portfolio, and subsequently increased or changed its interest in the portfolio, leading to the requirement to consolidate the underlying structure onto our balance sheet. This leads to a change in the classification of the portfolio investment held.

(2) Represents the restructure of a leveraged structured deal to move to a de-levered position, and hence change the nature of the holding whilst extinguishing related liabilities.

Consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2019 compared to consolidated statement of comprehensive income for the year ended December 31, 2018

Income from portfolio investments

Income from portfolio investments decreased £24.6 million, or 9.1%, from £269.4 million in 2018 to £244.8 million in 2019. This decrease was principally due to a significant reduction in upwards revaluations of portfolios held on the balance sheet. Revaluations in 2018 were positively impacted from specific litigation work that was undertaken on the back book to drive cash collections from unpaying accounts. Lower levels of revaluations led to a 75.0% reduction in non-cash impairment gains to £12.7 million (2018: £50.7 million).

Income from Asset Management and Servicing business

Income from Asset Management and Servicing business increased £2.7 million, or 2.9%, from £91.7 million in 2018 to £94.4 million in 2019. This increase was principally due to the ongoing growth of our Asset Management and Servicing business as we sought to increase our capital-light revenues. During 2019, we continued our strategy of co-investing alongside other investors with the aim of servicing the entire portfolio.

Total operating expenses

Operating expenses decreased £21.3 million, or 8.4%, from £255.0 million in 2018 to £233.7 million in 2019. The reporting split of total operating expenses was changed from 2019 to 2020, with a reclassification between 'collection activity and fund management costs' and 'other operating expenses,' as part of the change in the segmental reporting structure aligned to the integrated asset management model. The total operating expenses impact was nil, with the main movement between the categorizations relating to allocation of internal staff costs and professional

fees. The decrease in our operating expenses was principally due to the combined effects of the following:

Collection Activity and Fund Management Costs. Collection Activity and Fund Management Costs increased £4.9 million, or 4.1%, from £119.0 million in 2018 to £123.9 million prior to restatement in 2019 (£131.5 million post-restatement). The Collection Activity and Fund Management Cost ratio improved by 4.1 percentage points to 24.8% (2018: 28.9%) as we continued to extract efficiencies within our Asset Management and Servicing business and reduced the number of lower margin servicing contracts.

Other operating expenses. Other operating expenses decreased £12.1 million, or 8.9%, from £136.0 million in 2018 to £123.9 million prior to restatement in 2019 (£102.2 million post-restatement). This decrease was primarily driven by the release of provisions held against the payment of deferred consideration against previous business acquisitions. This collectively totaled £21.7 million and was also driven by the realignment of remuneration for management teams in accordance with our strategy of growing our capital-light businesses.

Finance costs

Net finance costs decreased £12.3 million, or 18.4%, from £66.8 million in 2018 to £54.5 million in 2019. This decrease was due to the non-recurrence of exceptional bond costs incurred in 2018. In 2018, bond refinancing costs comprised £18.7 million incurred on the early redemption of the €230 million floating rate senior secured notes due 2023 (the "**2023 Notes**"), of which £13.6 million was a cash cost related to the redemption premium. The remaining £5.0 million was related to a non-cash write-off of transaction fees, incurred in connection with the 2023 Notes. Underlying net interest charges of £54.5 million increased by £6.3 million or 13.1% on the £48.2 million amount incurred during 2018 as a function of the unwind of the discount rate on deferred consideration, higher facility balances in the period and the impact of the adoption of IFRS 16 lease accounting.

Taxation credit/(charge) on ordinary activities

Taxation charge on ordinary activities increased £4.0 million, or 40%, from £10.0 million in 2018 to £14.0 million in 2019. This increase was primarily due to the increase in profit before taxation by 28.3%, together with the increase in the effective tax rate.

The effective tax rate in 2019 was 27.3%, compared to 25.1% as in 2018, primarily reflecting the increase in profits generated in the territories in which we operate (other than the UK) where the standard corporation taxation rate is higher than in the UK.

Profit after tax

As a result of the foregoing factors, profit after tax increased £7.3 million, or 24.3%, from £30.0 million in 2018 to £37.3 million in 2019.

Liquidity and Capital Resources

Overview

Our principal uses of funds are to fund portfolio investments, working capital, capital expenditures and the development of our businesses, and to service debt and tax requirements. We have four key sources of debt funding, along with our retained reserves, being the Notes, the Revolving Facility, the Non-Recourse Facilities and the Miscellaneous Facilities.

The following table sets forth details relating to certain liquidity measures as of the dates indicated.

	As of December 31, 2020	As of June 30, 2021
	(£m, except multiples)	
Net debt[(1)]	1,226.3	1,184.9
Secured Net Debt[(2)]	1,181.0	1,153.8
Leverage[(3)]	5.1x	4.7x
Liquidity Headroom[(4)]	174.6	190.0
Net Debt/total equity attributable to shareholders	11x	11x
LTV Ratio[(5)]	78.8%	75.4%
Secured LTV Ratio[(6)]	75.9%	73.4%

(1) Net Debt does not reflect debt issuance costs. Going forward, Net Debt will include the outstanding principal amount of the Notes from the date of issuance. See "*Summary—Summary Historical Consolidated Financial and Other Information—Summary Historical Consolidated Financial Information—Net Debt*" for information of how Net Debt is calculated.

(2) Secured Net Debt is debt that is secured and includes the Existing Notes, the Revolving Facility, the Non-Recourse Facilities and the Miscellaneous Facilities (net of cash).

(3) Leverage is calculated as Secured Net Debt over Adjusted EBITDA. Adjusted EBITDA is £131.2 million for the six months ended June 30, 2021. See note 8 in "*Summary—Summary Historical Consolidated Financial and Other Information—Summary Historical Consolidated Financial Information—Other Financial Data*" for information on how Adjusted EBITDA is calculated.

(4) The key measure used by the Group for managing liquidity risk is liquidity headroom, which includes cash and cash equivalents and the headroom under committed facilities, being the Arrow Global Revolving Credit Facility. After giving effect to the Offering and the use of proceeds therefrom, from the Issue Date, liquidity headroom will include cash and cash equivalents and the headroom under committed facilities, the Revolving Facility. Liquidity headroom excludes certain cash which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated securitization structure awaiting a payment date.

(5) Represents Net Debt/84-Month ERC.

(6) Represents Secured Net Debt/84-Month ERC.

We are highly operationally cash generative before purchases of investment portfolios. Adjusted EBITDA in the six months ended June 30, 2021 was £131.2 million, representing 11% of our Net Debt. We believe we have a prudently managed balance sheet.

As noted in the table above, as of June 30, 2021, our Secured Net Debt divided by Adjusted EBITDA or leverage was 4.7 times compared to 5.1 times as at December 31, 2020. We are targeting our leverage to reach 4.0 times by the end of 2021 (before incurring costs of approximately £85 million related to the Acquisition), and to be within our target range of approximately 3.0-3.5 times by 2023. These targets are indicative only and there can be no assurance that we will be able to achieve such targets within the planned time frame or at all. See "*Forward-Looking Statements*" and "*Risk Factors—Risks Relating to the Transactions—This Offering Memorandum includes forward-looking statements, certain targets and assumptions in forecasts that involve risks and uncertainties.*"

As of June 30, 2021, our borrowings under the Arrow Global Revolving Credit Facility, pre-netting of transaction fees, were £201.5 million, compared to £277.5 million as of

December 31, 2020. We maintained a strong cash and liquidity position during 2020, having raised an additional €104.7 million through the Euro Non-Recourse Facility in July 2020. As of the Issue Date, the Arrow Global Revolving Facility was cancelled and the Revolving Facility was partially drawn. A portion of the proceeds of the Notes will be used to repay the Existing Notes and a portion of the drawings under the Revolving Facility. As of the Issue Date, after giving effect to the Transactions and use of proceeds therefrom, we expect that £55 million will be drawn and outstanding under the Revolving Facility. We expect that our increased focus on reducing capital intensity and growing earnings from our capital-light businesses will result in higher levels of cash generation and lower requirements to invest in portfolios to generate cash returns in the future.

Furthermore, the Offering of the Notes is expected to increase the level of liquidity headroom from £190 million as of the year ended December 31, 2020 to £339 million (excluding £9 million of certain cash which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated securitization structure awaiting a payment date) after completion of the Offering. See "*Use of Proceeds*." 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*."

Cash flow

The following table summarizes the principal components of our consolidated cash flows for the periods under review:

	For the year ended December 31,			For the six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
		(£'000)		**(£'000)**	
Net cash generated by/(used in) operating activities	(19,021)	6,456	41,510	54,107	41,700
Net cash used in investing activities	(78,319)	(27,935)	(21,000)	(12,480)	(17,621)
Net cash generated by/(used in) financing activities	153,198	7,521	40,276	15,694	(86,374)
Net increase/(decrease) in cash and cash equivalents	**55,858**	**(13,958)**	**60,786**	**57,321**	**(62,295)**

Cash flow for the six months ended June 30, 2021 compared to cash flow for six months ended June 30, 2020

Net cash generated by operating activities decreased by £12.4 million, or 23%, from £54.1 million during the six months ended June 30, 2020 to £41.7 million during the six months ended June 30, 2021. The decrease was principally due to higher portfolio purchases during the six months ended June 30, 2021 of £94.8 million as compared to £42.9 million in the corresponding period in 2020, partially offset by higher payments of deferred consideration on portfolios incurred in the six months ended June 30, 2020.

Net cash used in investing activities increased by £5.2 million, or 42%, from £12.4 million during the six months ended June 30, 2020 to £17.6 million during the six months ended June 30, 2021. This increase was largely due to the increased payment of deferred consideration paid in connection with subsidiary acquisitions of £8.3 million in the six months ended June 30, 2021 compared to £3.3 million in the corresponding period in 2020.

Net cash generated by financing activities decreased £102.1 million, from a cash generation of £15.7 million during the six months ended June 30, 2020 to a cash usage of £86.4 million during the six months ended June 30, 2021. This was primarily as a result of utilizing cash balances to repay amounts drawn under the Arrow Global Revolving Credit Facility and amounts drawn under the Non-Recourse Facilities. The proceeds from the tap offering of the 2026 Notes executed in early 2021 were used to similarly repay amounts drawn under the Arrow Global Revolving Credit Facility.

Cash flow for year ended 2020 compared to cash flow for year ended 2019

Net cash generated by operating activities increased £35.0 million, from £6.5 million in 2019 to £41.5 million in 2020. The increase was principally due to lower investments in portfolio purchases, offset by lower collections. Investments in portfolios reduced from £303.7 million in 2019 to £109.9 million in 2020, partly due to our preservation of cash resources as a result of the COVID-19 pandemic and partly due to our new investment model of co-investing alongside the Fund. Collections decreased from £442.3 million in 2019 to £338.9 million in 2020 as a result of the COVID-19 pandemic. See "*—Significant Factors Affecting Results of Operations—Impact of the COVID-19 pandemic*."

Net cash used in investing activities decreased £6.9 million, or 24.7%, from £27.9 million in 2019 to £21.0 million in 2020. This decrease was largely due to lower payments of deferred consideration paid in connection with subsidiary acquisitions, which decreased from £12.0 million in 2019 to £7.1 million in 2020.

Net cash generated by financing activities increased £32.8 million, from £7.5 million in 2019 to £40.3 million in 2020. This was primarily due to withdrawal of dividends in 2020 by the Target following the COVID-19 pandemic. On April 6, 2020, the Target announced its intention to withdraw the recommended final dividend for 2019, preserving £15.0 million of cash within the business. No interim dividend was payable in 2020 and as a result, dividends paid reduced from £23.1 million in 2019 to £nil in 2020.

Cash flow for year ended 2019 compared to cash flow for year ended 2018

Net cash generated by operating activities increased £25.5 million, from used in operating activities of £19.0 million in 2018 to net cash generated by operating activities of £6.5 million in 2019. During 2020, cash and cash equivalents of £12.9 million (2019: £26.6 million) may be subject to constraints depending on when the balance can be remitted, such as cash in a consolidated securitization structure awaiting a payment date. Previously, such amounts were shown in debtors and, as such, the 2019 cash flow was re-presented to remove these amounts from the movement in other receivables, as in the prior year they were included within this line item, and included within cash and cash equivalents. The net cash generated by operating activities (prior to this restatement) was £20.5 million. Prior to the restatement, net cash generated by operating activities increased £39.5 million, from net cash used in operating activities of £19.0 million in 2018 to net cash generated by operating activities of £20.5 million in 2019. The increase was principally due to higher collections during 2019 of £442.3 million (2018: £411.6 million) and an increase in other receivables, partially offset by higher portfolio investments of £303.7 million (2018: £263.4 million).

Net cash used in investing activities decreased £50.4 million, or 64.4%, from £78.3 million in 2018 to £27.9 million in 2019. This decrease was largely due to the amount of £57.0 million paid for the acquisition of subsidiaries including Parr Credit, Europa Investimenti, Norfin and Bergen, with only £2.9 million being incurred in 2019. See "*Business—Our History and Development.*"

Net cash generated by financing activities decreased £145.7 million, from £153.2 million in 2018 to £7.5 million in 2019. This was primarily due to the issuance of Existing Notes in 2018. On March 7, 2018, Arrow Global Finance Plc issued the 2026 Notes at a coupon of 3.75% over three-month EURIBOR and also issued £100 million additional 2024 Notes. As part of the transaction, Arrow Global Finance Plc also redeemed its 2023 Notes. The proceeds were used to fund the purchase price for the acquisition of Parr Credit, partially repay drawings under the Arrow Global Revolving Credit Facility and to fund transaction costs and the redemption of the 2023 Notes.

Adjusted Free Cash Flow

We define Adjusted Free Cash Flow as Adjusted EBITDA less cash interest, income taxes and overseas taxation paid and amounts paid for the purchase of property, plant and equipment and intangible assets. The following table sets forth a reconciliation of Adjusted Free Cash Flow to net cash from operating activities during the periods under review.

	For the year ended December 31,			For the six months ended June 30,	
	2018	2019	2020	2020	2021
		(£'000)		(£'000)	
Net cash from/(used in) operating activities	**(19,021)**	**6,456**	**41,510**	**54,107**	**41,700**
Purchases of portfolio investments	263,350	303,687	109,850	42,882	94,775
Income taxes paid	9,428	14,036	6,491	1,429	1,147
Working capital adjustments[1]	12,487	(13,860)	75,266	20,269	(26,156)
Amortization of acquisition and bank facility fees	273	127	46	29	—
Proceeds from sale of property	3,759	—	—	—	—
Write-off and disposal of intangible asset and property, plant and equipment	—	(7,185)	—	—	—
Acquisition costs	14,717	—	—	—	—
One Arrow costs	9,039	—	—	—	—
Adjusting items	—	26,789	—	—	19,733
Adjusted EBITDA	**294,032**	**330,050**	**233,163**	**118,716**	**131,199**
Net finance income and costs	(42,951)	(41,562)	(56,295)	(25,697)	(30,080)
Taxation credit/(charge) on ordinary activities	(9,428)	(14,036)	(6,491)	(1,429)	(1,147)
Capital expenditure[2]	(10,944)	(13,099)	(13,824)	(9,125)	(9,310)
Adjusted Free Cash Flow[3]	**230,709**	**261,353**	**156,553**	**82,465**	**90,662**

(1) Working capital adjustments included, historically, the net movement on debtors and creditors, excluding the Arrow Global Revolving Credit Facility, Non-Recourse Facilities, the 2024 Notes and related accrued interest, the 2025 Notes and related accrued interest and the 2026 Notes and related accrued interest, and corporation tax debtors and creditors.

(2) See "*—Capital expenditure*" below.

(3) Adjusted Free Cash Flow is a supplemental measure of our liquidity that is not required by or presented in accordance with IFRS. We present Adjusted Free Cash Flow because we believe that similar free cash flow measures are frequently used by securities analysts, investors and other interested parties in evaluating similar issuers. Adjusted Free Cash Flow should not be considered as a measure of cash flow from operations under IFRS or as an indicator of liquidity. Adjusted Free Cash Flow is a metric used by management and is intended to be a measure of cash flow available for our discretionary use and before any investment in portfolio acquisitions. Our presentation of Adjusted Free Cash Flow 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 Adjusted Free Cash Flow may not be comparable to similarly titled measures of other companies.

Borrowings

As of June 30, 2021, we had secured financial indebtedness of £1,271.7 million, primarily from our three core funding sources: the Existing Notes, the Arrow Global Revolving Credit Facility and the Non-Recourse Facilities. We also had the Miscellaneous Facilities of £5.6 million as of June 30, 2021. The Existing Notes and the Arrow Global Revolving Credit Facility were or are being redeemed or repaid and cancelled in full as part of the Transactions. Our key borrowings subsequent to the Transactions will be the Notes, the Revolving Facility, the Non-Recourse Facilities and the Miscellaneous Facilities. See "*Capitalization*" and "*Description of Other Indebtedness*" for further details relating to our capitalization and indebtedness as of the dates indicated therein.

Revolving Facility

On October 6, 2021, Finco entered into a new £285.0 million (equivalent) Revolving Facility on certain terms. The drawings under the Revolving Facility were utilized to repay the outstanding amount under Arrow Global Revolving Credit Facility and upon such repayment, the Arrow Global Revolving Credit Facility was cancelled in full, in accordance with the change of control provisions following the takeover by Bidco. As of June 30, 2021, £201.5 million was outstanding under the Arrow Global Revolving Credit Facility (pre-netting of transaction fees). Upon completion of the Offering, the proceeds of the Notes will be used to repay a portion of the Revolving Facility. See "*Description of Other Indebtedness*" for further details. As of the Issue Date and after giving effect to the Transactions, we expect to have drawn £55 million under the Revolving Facility.

Non-Recourse Facilities

The Group has two non-recourse committed asset-backed securitization term loans, being the Sterling Non-Recourse Facility and the Euro Non-Recourse Facility. Interest on the original £100 million Sterling Non-Recourse Facility, which was entered into on April 30, 2019, is payable at a rate equal to LIBOR (floored at zero) plus a margin of 3.1% per annum and was secured against certain UK pound sterling investment portfolios. As of June 30, 2021, the Sterling Non-Recourse Facility had an outstanding balance of £54.7 million. Interest on the original €104.7 million Euro Non-Recourse Facility, which was executed on July 1, 2020 and was secured against certain Portuguese euro investment portfolios, is payable at EURIBOR (floored at zero) plus a margin of 4.25% per annum (rising to 6% per annum if the tenor is extended beyond three years). As of June 30, 2021, the balance outstanding on the Euro Non-Recourse Facility was €48.0 million.

See "*Description of Other Indebtedness*" for further details.

Miscellaneous Facilities

The Group has various miscellaneous debt factoring and uncommitted overdraft facilities provided by certain financial institutions in relation to the Target Group's cash management and other administrative requirements in the territories in which the Target Group operates. The

Miscellaneous Facilities are non-recourse facilities. As of June 30, 2021, the outstanding balance under the Miscellaneous Facilities was £3.1 million. See "*Description of Other Indebtedness*" for further details.

Capital expenditure

The table below shows the capital expenditure by period:

	For the year ended December 31,			For the six months ended June 30,	
	2018	2019	2020	2020	2021
		(£'000)		(£'000)	
Other intangible assets	8,577[(1)]	11,830	11,375	4,546	6,627
Plant, property and equipment	2,367	1,269	2,449	4,579	2,683
Total capital expenditure	**10,944**	**13,099**	**13,824**	**9,125**	**9,310**

(1) Excludes £2.5 million of costs in relation to the One Arrow program.

During the six months ended June 30, 2021, we incurred £9.3 million in capital expenditure, being £6.6 million intangible assets and £2.7 million fixed assets consistent with the previous period. During 2020, we incurred £13.8 million in capital expenditure, being £11.4 million intangible assets, predominantly relating to IT and software license costs, and £2.5 million fixed assets, predominantly relating to leased assets. During 2019, we incurred £13.1 million in capital expenditure, being £11.8 million intangible assets and £1.3 million fixed assets. We expect our capital expenditure to remain broadly stable in 2021 compared to our historical capital expenditure in 2020 and 2019. As we continue to grow our business, particularly through our new Fund and Investment Management business, we expect that additional costs may be incurred, such as in the development of our new funds system, but we expect that the significant portion of such costs to be re-charged through designated charges to the Fund.

Contractual obligations and commercial commitments

The following table sets forth a summary of our contractual obligations and commercial commitments as of June 30, 2021, after giving effect to the Transactions, including the repayment of the amounts drawn under the Arrow Global Revolving Credit Facility, the Offering of the Notes and the use of net proceeds thereof to redeem the entire outstanding amount of the Existing Notes.

	Contractual maturity profile by period				
	Less than 1 year	From 1 to 2 years	From 2 to 5 years	5 or more years	Total
			(£'m)		
Notes offered hereby[(1)]	—	—	—	1,232.0	**1,232.0**
Revolving Facility[(2)]	—	—	285.0	—	285.0
Non-Recourse Facilities[(3)]	69.0	25.2	1.8	—	96.0
Miscellaneous Facilities (including other borrowings)[(4)]	5.6	—	—	—	5.6
Total	**74.6**	**25.2**	**286.8**	**1,232.0**	**1,618.6**

(1) Comprises (i) €400 million aggregate principal amount of the Euro Fixed Rate Notes and €640 million aggregate principal amount of the Euro Floating Rate Notes, each converted into pounds sterling at the rate of €1.1785 to £1.00 (based on the Bloomberg Composite Rate (New York) as of October 12, 2021) and (ii) £350 million aggregate principal amount of the Sterling Notes, in each case, assuming an issuance at par.

(2) Reflects the full committed facility of the Revolving Facility.
(3) Reflects the amounts owing of the Non-Recourse Facilities as at June 30, 2021. The maturity profile reflects the expected repayment based upon expected collections on the portfolio investments pledged as collateral. As at June 30, 2021, £284.1 million of portfolio investments were pledged as collateral against the Non-Recourse Facilities.
(4) Reflects the amounts drawn as at June 30, 2021 under the short term Miscellaneous Facilities and other borrowings.

Off-Balance Sheet Arrangements

As of June 30, 2021, 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 centralized treasury function manages the market risks and report quarterly to our Asset & Liability Committee ("**ALCO**"). ALCO has responsibility to provide oversight of the treasury function, to ensure that such risks are managed within policy and appetite and that any exceptions are reported through to the Board. We are exposed to market risk in the form of liquidity risk, foreign currency risk, interest rate risk and credit risk that arise in the normal course of our business.

Liquidity risk management

Our day-to-day working capital requirements are funded by our cash and cash equivalents, along with access to our Revolving Facility. We manage liquidity risk by monitoring a number of metrics, including leverage, levels of our cash and headroom under our Revolving Facility, headroom under the financial covenant within our Revolving Facility, the diversification of our funding sources, our external credit ratings and the period to maturity of our Notes, Revolving Facility and Non-Recourse Facilities. These metrics are reviewed on an actual historical basis, but also, where appropriate, on a forward-looking view through our budgeting process.

This holistic review to liquidity risk is important to ensure that the risk is appropriately managed. The COVID-19 pandemic had an impact on our business, which led to a reduction in Cash Collections and therefore, an increase in leverage. However, during the first quarter of 2020 at the on-set of the pandemic, we reported leverage of 3.4 times as at December 31, 2019, within our target range of approximately 3.0-3.5 times. None of our Existing Notes or Arrow Global Revolving Credit Facility outstanding at the time had a maturity date ahead of January 2024. We had cash and headroom on our committed Arrow Global Revolving Credit Facility as at March 30, 2020 of £129 million and we had good diversification of funding sources that enabled us to quickly access additional liquidity with the drawdown under our Sterling Asset-Backed Loan of £21.0 million on April 2, 2020. The strong position ahead of the disruption caused by the COVID-19 pandemic, together with the actions taken to preserve our liquidity resources, such as curtailing shareholder dividends and reducing the level of portfolio investments, ensured that liquidity risk continued to be minimized.

As a result of the disruption to collections caused by the COVID-19 pandemic, we approached our lenders under our Arrow Global Revolving Credit Facility outstanding at the time and sought a relaxation of the leverage financial covenant. On August 12, 2020, we executed an amendment agreement with our lenders to amend the financial covenants under the Arrow Global Revolving Credit Facility. The amendments to the financial covenants were for the period from

September 2020 up to and including June 2022 and provided suitable headroom based on our downside projections at the time, including an amendment to the maximum permitted leverage and minimum liquidity, and transitioned to a more dynamic margin calculation. Importantly, our lenders did not impose any restrictions on the level of portfolio acquisitions that we could make and provided a medium-term amendment to the financial covenants, in part as the Existing Notes were not due for repayment before 2024. The Arrow Global Revolving Credit Facility was cancelled on or about October 19, 2021 and replaced by the Revolving Facility. See "*Description of Other Indebtedness—Revolving Facility*."

For further information on our diversified funding sources, see "*Description of Other Indebtedness*" and "*Description of the Notes*."

Foreign currency risk

A significant portion of our operations are in Italy, Portugal, Ireland and the Netherlands and, as such, we are exposed to foreign exchange currency risk. The exposures created by our operations are summarized as follows:

(a) our assets and liabilities denominated in a different currency to our base accounting currency (i.e., pounds sterling) will be revalued on a monthly basis creating a translation gain or loss. This primarily relates to our euro-denominated portfolios acquired by UK legal entities, euro-denominated intra-group loans from a UK entity to an overseas subsidiary to fund either euro-denominated portfolios or historical acquisitions. We use euro-denominated borrowings, through our Notes and our Revolving Facility, to ensure that positions are closely matched, thereby minimizing the impact of any translational gains and losses;

(b) profits from our overseas operations can vary when translated to pounds sterling for reporting purposes. It is our policy not to hedge this exposure; and

(c) cash flows arising in a different currency from our base accounting currency, such as dividend receipts paid in euros to a UK holding company and receipts of fund management fees. It is our policy to hedge such exposures when they are considered highly likely and they are significant.

Furthermore, there can be impacts that do not create an exposure to our reported results. For example, our Revolving Facility has a fixed sterling commitment and therefore, the headroom can reduce due to market fluctuations on any euro borrowings made under the facility. Similarly, the reported leverage may increase or decrease merely due to the conversion of our euro-denominated debt.

We have historically reduced the risk of our foreign currency exposure predominantly through borrowing in euros under the Arrow Global Revolving Credit Facility and, less frequently, using forward foreign exchange contracts. The fair value and nominal value of foreign exchange contracts was nil as at December 31, 2020 and nil as at June 30, 2021.

Foreign currency sensitivity analysis

If foreign exchange rates had been 10% weaker than sterling at the balance sheet date and all other variables were held constant, our net assets for euros would decrease as follows:

	Equity and net assets	
	December 31, 2019	December 31, 2020
	(£'000)	
Euro (EUR)	(17,493)	(17,555)
	(17,493)	**(17,555)**

If foreign exchange rates had been 10% stronger than sterling at the balance sheet date and all other variables were held constant, our net assets for euros would increase as follows:

	Equity and net assets	
	December 31, 2019	December 31, 2020
	(£'000)	
Euro (EUR)	21,380	21,456
	21,380	**21,456**

Interest rate risk

We are exposed to interest rate risk arising on changes in interest rates on our borrowings, principally on the Euro Floating Rate Notes offered hereby and any borrowings under our Revolving Facility, and therefore seek to monitor and limit this exposure within an acceptable level of risk appetite. The risk is monitored by (i) assessing the impact of a shock to interest rates, both euro and pound sterling benchmark rates, and assessing the impact on our profits for the current and next financial years; and (ii) assessing the profile of our fixed and floating rate debt over the medium term. The objectives of our policy are firstly, to seek to limit the impact of a shock to interest rates to our profits for the current and next financial years within acceptable levels, and second, to broadly match the level of fixed rate debt, together with any interest rate swap contracts, to an approximate profile of the maturity of our portfolio investments.

We typically use interest rate swap contracts to achieve our objective by seeking to hedge a portion of our floating rate borrowings. As of June 30, 2021 and December 31, 2020, the notional value of the interest rate swaps was €180 million. All interest rate swaps were effective and hedged against the Existing Notes, including the zero percent floor.

The following table sets forth details relating to our interest rate hedges.

Outstanding contracts	Notional value at December 31, 2020	Notional value at June 30, 2021	Maturity date	Fair value at December 31, 2020	Fair value at June 30, 2021
	(€'000)			(£)	
Interest rate swap	60	60	October 1, 2021	26	12
Interest rate swap	60	60	October 1, 2021	28	14
Interest rate swap	60	60	October 1, 2021	29	14
Balance sheet liability				**83**	**40**

Interest rate sensitivity analysis

If the interest rates across all countries of operation increased by 50 basis points, it would have led to a higher finance costs and a reduction in our profit before taxation for the following twelve months of £(0.7) million as at December 31, 2020 and £(1.4) million as at December 31, 2019.

Counterparty credit risk

Counterparty credit risk refers to the risk that a counterparty, such as a bank, defaults on its contractual obligations resulting in a financial loss to us. The credit risk relating to financial assets mainly concerns cash and cash equivalents held within bank accounts and any positive mark-to-market value on any foreign currency and derivative financial instruments.

Foreign currency and derivative financial instruments are transacted through banks which are approved by our Board and are limited to high credit quality financial institutions. Cash and cash equivalents held on our balance sheet relate to balances held in operational bank accounts only and are held at approved banks only. We seek to minimize balances by utilizing surplus cash to repay borrowings under our debt facilities.

Key accounting policies, judgements and assumptions and estimates

Key Accounting Policies

The key accounting policies that we use in preparing our consolidated financial statements are described in note 3 to our consolidated financial statements included elsewhere in this Offering Memorandum.

As a result of the takeover of AGG by Bidco, we intend to prepare consolidated financial statements for the Parent, the parent company of Bidco. The Parent, Bidco and the Issuer have been incorporated solely for the purposes of the Acquisition. The only activities of these companies relate to the acquisition of AGG as described above, the execution of the Revolving Facility and the offering of the Notes hereby. As such, the only assets, liabilities, revenues and costs within these entities relate to the costs of completion of the Transactions. We estimate that the total costs of the Transactions will be approximately £85 million, and all or part of these costs may be paid for with the proceeds of the Offering. See "—*Description of Key Performance Metrics—Profit before and after tax (before exceptional items)*."

As such, the results presented in this Offering Memorandum are prepared on a different basis from the results in future periods. It should be noted that none of these changes that arise from the business combination accounting policies change cash or cash flows of the Parent or any of its subsidiaries and as such, the accounting basis for calculating leverage, Adjusted EBITDA and liquidity headroom will remain unchanged for future periods. Below is a list of what we believe are the material areas where reporting in future periods may differ from the current reported results of the Group:

1. *Goodwill*: Goodwill was £269.5 million as at June 30, 2021 and is currently held on the balance sheet of the Group. This goodwill will no longer be reported when

preparing the consolidated results of the Parent. However, the Parent will report goodwill and acquired intangible assets as a result of the purchase of AGG.

The level of goodwill will be dependent upon the difference between the consideration paid under the Acquisition and the fair value of the assets and liabilities of AGG at the time of the Acquisition. This fair value will be different from the reported assets and liabilities within the consolidated results of AGG, which in some cases are reported at historic cost, in line with IFRS.

2. *Portfolio investment carrying value*: As noted above, under our accounting for business combinations, the identifiable net assets acquired are measured at fair value. This applies to all assets, such as fixed assets, and liabilities. In particular, portfolio investments held at amortized cost and held as inventories will, under the consolidated results of the Parent, be recognized initially at their fair value rather than under their current historic cost accounting value. Any change to the carrying value going forward would result in a change to the revenue recognized through the profit and loss of the Parent's consolidated results going forward.

   As at June 30, 2021, the carrying value of portfolio investments – amortized cost, which are recognized at historic cost was £735.4 million. As part of the disclosures within our reported results as at June 30, 2021, we estimated the fair value of such portfolios at £880.4 million, an uplift of £145.0 million. Fair value has been calculated by observing the compression in market yields over time and applying the difference between current average market IRRs for our most recent vintage, and applying this as a premium or discount to prior years' vintages. This approach takes into account changes in market pricing factors over time, while retaining the consideration of the individual characteristics of each portfolio.

   As part of the acquisition accounting process, a more rigorous review of each portfolio would need to be undertaken and, as such, the actual fair value at the acquisition date is likely to be different to the indicative fair value estimate shown within our historical financial disclosure information.

   Any uplift to the carrying value of our portfolio investments will reduce the revenue recognized in future periods on such portfolios within the consolidated results of the Parent.

3. *Debt carrying value*: The carrying value of our debt includes unamortized upfront costs of arranging the debt. As at June 30, 2021, there was £12.9 million of unamortized debt costs relating to the Existing Notes and the Arrow Global Revolving Credit Facility held on our balance sheet. Given the refinancing of our debt that existed at the time of the Acquisition, it is expected that the fair value of this unamortized debt will be minimal and hence will impact the level of goodwill arising within the consolidated results of the Parent.

4. *Intangible amortization*: The acquisition of intangible assets, which arose upon the acquisition of AGG by the Parent, primarily relates to customer relationships and

brands. When we acquire businesses and when the Parent acquired AGG, which has material ongoing customer relationships, whether contractual or otherwise, the principles of IFRS 3 require that the fair value of such customer relationships must be estimated and recognized on the balance sheet at the acquisition date. The impact of this is to effectively reduce the goodwill recognized on acquisition. Subsequent to the initial recognition of such assets, the assets are amortized over the expected life of the customer relationships with us. This amortization is recognized within operating expenses. The useful lives and carrying values of customer intangibles are reviewed at each reporting date and adjusted if appropriate. As such, the creation of the customer and brand intangibles, and associated non-cash amortization thereof, will reduce the reported consolidated profits of the Parent in the future, although such non-cash item will be separately identifiable.

5. *Statutory reporting periods*: Since the Parent was incorporated on March 29, 2021, it is our intention to prepare audited consolidated results of the Parent for the nine months ended December 31, 2021. In line with accounting standards, these results will reflect the results of AGG and its subsidiaries from the time of the Acquisition to December 31, 2021 only. Since AGG will no longer be required to prepare audited consolidated accounts for AGG and its subsidiaries, it will not be possible to view statutory audited accounts for the year ended December 31, 2021 that incorporate the results for the twelve month period ended December 31, 2021 of AGG and its subsidiaries. It is our intention to publish key financial information and metrics covering the twelve months as pro-forma unaudited figures to aid comparison.

Key accounting judgements

We regularly make judgements, when preparing our consolidated financial statements, which affect the application of our accounting policies and our reported amounts of assets, liabilities, income and expenses. As such, our actual results may differ from these judgments. The judgements are reviewed on an ongoing basis. Revisions to accounting judgments are recognized in the year in which the judgment is revised.

The following are the key accounting judgements that have been made when preparing our financial statements:

Classification of portfolio investment assets

We hold the majority of our portfolio investments at amortized cost, due to the fact that we have determined that these assets meet the SPPI criteria and are held in a ‘hold to collect’ business model. The SPPI criteria for each portfolio are assessed at the point each portfolio is being approved for purchase and are based on the nature of the underlying loans which are being purchased. This determination is made for each purchase individually, unless it is a follow-on purchase of the same or very similar assets, which have already been assessed.

With respect to the ‘hold to collect’ business model, we have determined that this is the most appropriate IFRS 9 business model classification for its general portfolio holding activities,

as although in the past a small number of portfolios have been sold outright to a third party, such sales do not comprise a material component of our ERC at any point in time. Therefore, we believe that such infrequent sales activity is not deemed to invalidate the 'hold to collect' business model which we employ for the majority of our portfolios.

Another judgement that has been made regarding the Group's amortized cost portfolio assets is that they all fall within the purchased or originated credit-impaired ("**POCI**") classification for IFRS 9 impairment measurement purposes. This judgement has been made, based on the fact that historic purchase history and the current composition of our amortized cost portfolio investments shows that such assets tend to be bought at a point in time where they are credit impaired in some manner. This is supported by not only the nature of the assets, but by the fact that they are usually purchased at a steep discount, which is reflective of their incurred credit losses to date.

For some portfolio investments, the SPPI criteria are not met, or there is an element of subordination within the holding structure. In such instances, these portfolio investments are held at FVTPL. Furthermore, some portfolio investments, such as those involving real estate, do not meet the definition of a financial instrument for accounting purposes. This leads to a portion of our portfolio investments being classified as 'inventories' under the scope of IAS 2.

Our co-investment alongside our Fund and Investment Management business is deemed to be held in a different 'business model' than 'hold to collect,' as these portfolio investments are managed primarily on a fair value basis, with reporting to senior management on the performance of these assets being prepared on that basis, and key management remuneration being linked to the performance of such assets on a fair value basis. As such, the 'business model' of these portfolios is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell the Portfolio Assets. As such, our co-investment alongside the Fund and other co-investment portfolios purchased alongside other third-parties are classified as FVTPL.

Determination of control over investees

We hold an economic interest in a number of entities which we determine under IFRS 10, that we do not control. As such, these entities are not consolidated into our financial statements, but rather, the investment in such entities is recognized as a single asset within the appropriate balance sheet classification, usually portfolio investments. Conversely, we also consolidate entities into its financial statements which we do not have 100% ownership of, but we are judged to control regardless.

The judgement as to whether or not we have control over an entity is taken on a case-by-case basis by management, and is firstly based on whether we can exercise any power over the relevant activities of the entity, and if this is the case, whether there is deemed to be a link between such power and the variability of returns that arise from the entity.

In many cases, the determination of control is clear. Cases where management must apply more judgement can occur where we hold a minority equity-level financial interest in a structured entity, as well as providing services to these entities in a typical supplier-customer relationship capacity. In these cases, we mainly assess the relative share of marginal variable returns which

flow to third parties versus the share which flows to ourselves as a primary indicator of whether we are exercising any power we may have to influence the variable returns of the structured entity, either for its benefit, or for the benefit of third parties in the structure. In the case of the former, the entity will usually be consolidated, whereas under the latter, the entity will usually not be consolidated.

Key Accounting Assumptions and Estimates

In addition to our accounting judgements, we also regularly make estimates and assumptions, when preparing our consolidated financial statements, that affect the application of our accounting policies and our reported amounts of assets, liabilities, income and expenses. As such, our actual results may differ from these assumptions and estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised.

The following are the key accounting assumptions and estimates that have been made when preparing our consolidated financial statements:

Carrying value of portfolio investments

As of December 31, 2020, the carrying value of portfolio investments was £1,042.2 million compared with £1,163.6 million as of December 31, 2019. The majority of our portfolio investments are measured at amortized cost. However, under our business combination accounting policies, on completion of the Acquisition, there will be a requirement to fair value our assets and liabilities. See "*—Key accounting policies, judgements and assumptions and estimates—Key Accounting Policies*."

Given the speed and severity of the economic changes that the COVID-19 pandemic has brought, we further refined the method by which ERCs, and therefore portfolio valuations, are calculated for the year ended December 31, 2020.

For earlier periods, a bottom-up approach was taken whereby each individual portfolio's cash flow was modelled based on a number of factors, including Balance Sheet Cash Collections history and an array of data concerning the status of the individual loans within our portfolios, for example account-specific Balance Sheet Cash Collections history, account statuses, property statuses and valuations (for secured accounts), servicer history, and supporting data from third parties such as credit files or geo-demographics. This data has then been used in conjunction with the predicted effectiveness of any additional collection initiatives to forecast future Balance Sheet Cash Collections for each portfolio.

These forecast Balance Sheet Cash Collections are then updated for actual Cash Collections, before being used as the basis for the December 31 and June 30 reforecast at each reporting date. Management believes that the nature of the current crisis has caused a temporary dislocation in how Cash Collections will trend, based on Cash Collections data during 2020 and into 2021. Accordingly, we have instead sought to determine how the anticipated more volatile macroeconomic environment may impact the bottom-up portfolio-level ERC forecasts, through a series of overlays, taking into account forecast future macroeconomic circumstances. To achieve

this, each of our portfolios was first divided into a specified number of risk segments, with each segment containing loans of a similar nature (for example, UK unsecured loans).

In addition, individually material and/or complex portfolios were also considered separately as their own 'segment.' For each segment, for the most relevant macroeconomic indicators, a range of possible future outcomes was forecast, each representing either an upside, downside or severe downside scenario. The impact of each scenario on our future cash flows was determined in conjunction with our internal experts in the relevant segment, considering both past experience and knowledge about the current condition of the local environment.

Using statistical methods, a probability was also assigned to each segment-level scenario, giving consideration to updated external macroeconomic forecasts, actual Cash Collections performance throughout the year and local in-house knowledge. These probabilities assigned were then used to calculate a probability-weighted ERC change for each segment, save for a small number of individual portfolios in which management judgement was applied. The weighted segment-level adjustments were then applied to each portfolio within each respective segment to allow the production of portfolio-level ERC curves.

The portfolio-level ERC curves were then discounted at the appropriate rate (EIR for amortized cost portfolios, a rate reflective of assumptions that market participants would use when pricing the asset for FVTPL portfolios), to obtain the revised NPV and hence carrying value of the amortized cost and FVTPL portfolio investments. For return on equity portfolio investments, the revised ERC curve was used to determine the net realizable value in assessing each portfolio for potential impairment.

To assist with the understanding of how the Group has modelled future cash flows, which ultimately drives the valuation of the portfolio investment assets, the below table shows the probability that has been assigned to each macroeconomic scenario when preparing the cash flow forecasts:

Country	Segment	Scenario					
		Upside	Mild upside	Base	Stagnation	Downside	Severe downside
Ireland	Secured	10%	10%	50%	10%	10%	10%
UK	Secured	10%	10%	50%	10%	10%	10%
UK	Unsecured	10%	10%	50%	10%	10%	10%
Portugal	Secured	10%	10%	50%	10%	10%	10%
Portugal	Unsecured	10%	10%	50%	10%	10%	10%
Italy	Secured	10%	10%	50%	10%	10%	10%
Italy	Unsecured	10%	10%	50%	10%	10%	10%
The Netherlands	Secured	10%	10%	50%	10%	10%	10%
The Netherlands	Unsecured	10%	10%	50%	10%	10%	10%

The key macroeconomic indicator for each segment is the level of unemployment for unsecured and House Price Index ("**HPI**") for secured. These metrics are monitored at a national level with unemployment being the national unemployment rate, and HPI the relevant index of house prices used to observe the relative change in house prices in each country. The corresponding forecasts for unemployment and HPI are detailed on the following pages. Unemployment

represents the expected year-end unemployment rate under the different scenarios relative to the Base and HPI, the expected year-end growth rate under the different scenarios relative to the Base.

Year-end unemployment rate relative to Base (change in %)							
Country	**Segment**	**Scenario**					
		Upside	**Mild upside**	**Base**	**Stagnation**	**Downside**	**Severe downside**
UK	2021	(1.9)	(1.0)	0.0	1.0	1.4	1.9
UK	2022	(1.8)	(0.6)	0.0	1.7	2.0	2.3
UK	2023	(1.8)	(0.6)	0.0	1.9	2.1	2.5
UK	2024	(1.7)	(0.5)	0.0	1.8	2.0	2.4
UK	2025	(1.6)	(0.5)	0.0	1.7	1.9	2.2
Portugal	2021	(2.1)	(1.0)	0.0	1.5	1.8	2.3
Portugal	2022	(3.6)	(1.3)	0.0	3.5	4.0	4.8
Portugal	2023	(4.1)	(1.5)	0.0	4.0	4.0	5.4
Portugal	2024	(4.3)	(1.6)	0.0	4.0	4.6	5.5
Portugal	2025	(4.0)	(1.5)	0.0	3.7	4.2	5.1
The Netherlands	2021	(2.8)	(2.0)	0.0	1.0	1.5	2.2
The Netherlands	2022	(2.9)	(1.9)	0.0	1.3	1.9	2.8
The Netherlands	2023	(3.1)	(1.9)	0.0	1.4	2.0	3.0
The Netherlands	2024	(2.9)	(1.8)	0.0	1.4	1.9	2.9
The Netherlands	2025	(2.7)	(1.6)	0.0	1.3	1.8	2.7
Italy	2021	(1.8)	(1.0)	0.0	0.9	1.3	1.8
Italy	2022	(2.6)	(1.4)	0.0	1.4	1.9	2.6
Italy	2023	(3.0)	(1.6)	0.0	1.6	2.1	3.0
Italy	2024	(2.9)	(1.6)	0.0	1.5	2.0	2.9
Italy	2025	(2.7)	(1.5)	0.0	1.4	1.9	2.7
Ireland	2021	(1.3)	(0.6)	0.0	1.8	2.0	2.3
Ireland	2022	(2.7)	(0.9)	0.0	4.1	4.5	5.1
Ireland	2023	(3.8)	(1.0)	0.0	6.4	6.9	7.7
Ireland	2024	(3.8)	(0.9)	0.0	6.6	7.1	7.9
Ireland	2025	(3.5)	(0.9)	0.0	6.1	6.6	7.4

Year-end HPI rate (year-on-year) relative to Base (change in %)							
Country	Segment	Scenario					
		Upside	Mild upside	Base	Stagnation	Downside	Severe downside
UK	2021	6.6	3.8	0.0	(4.9)	(7.0)	(10.6)
UK	2022	4.4	2.2	0.0	(6.5)	(9.1)	(13.8)
UK	2023	8.0	5.3	0.0	(4.2)	(6.8)	(11.9)
UK	2024	1.6	1.1	0.0	(0.8)	(1.4)	(2.7)
UK	2025	(1.4)	(0.2)	0.0	0.4	0.6	1.1
Portugal	2021	8.1	5.1	0.0	(3.8)	(5.7)	(9.0)
Portugal	2022	6.5	4.2	0.0	(3.0)	(4.7)	(7.7)
Portugal	2023	5.0	3.3	0.0	(2.5)	(4.0)	(6.8)
Portugal	2024	0.4	0.3	0.0	(0.2)	(0.3)	(0.6)
Portugal	2025	(0.4)	(0.2)	0.0	0.2	0.3	0.6
The Netherlands	2021	7.9	5.0	0.0	(3.5)	(5.3)	(8.4)
The Netherlands	2022	15.6	10.1	0.0	(6.7)	(10.5)	(17.2)
The Netherlands	2023	2.5	1.7	0.0	(1.4)	(2.3)	(4.0)
The Netherlands	2024	0.8	0.6	0.0	(0.5)	(0.8)	(1.5)
The Netherlands	2025	(0.4)	(0.3)	0.0	0.3	0.4	0.8
Italy	2021	2.8	1.7	0.0	(1.6)	(2.3)	(3.6)
Italy	2022	3.3	2.1	0.0	(1.4)	(2.2)	(3.5)
Italy	2023	3.7	2.4	0.0	(1.7)	(2.6)	(4.2)
Italy	2024	0.9	0.6	0.0	(0.4)	(0.6)	(1.0)
Italy	2025	(0.2)	(0.1)	0.0	0.1	0.2	0.3
Ireland	2021	12.1	7.5	0.0	(5.4)	(8.2)	(12.9)
Ireland	2022	11.6	7.6	0.0	(5.6)	(8.9)	(14.8)
Ireland	2023	4.7	3.2	0.0	(2.7)	(4.4)	(7.8)
Ireland	2024	(0.4)	(0.3)	0.0	0.2	0.4	0.7
Ireland	2025	(0.5)	(0.3)	0.0	0.3	0.5	0.9

In addition to these metrics, we also consider the impact of inflation and household indebtedness to provide additional context regarding macroeconomic conditions, albeit we consider these factors to have a less significant impact on performance. In addition to the scenario modelling set out above, another key judgement that has been applied by management is the probability weighting of each of these scenarios. The precise weightings used have been set out above and were based on management's judgement on how each of our scenarios aligns to the macroeconomic forecasts provided by third party experts, as well as the view of local internal experts in the relevant geography and asset class. Such scenarios also take into account operational considerations that may impact Cash Collections in each individual geography, such as the functioning of local court systems or property markets for example.

The estimated future cash flows generated by the above process are the key estimate/judgement in our financial statements. Flexing the expected future gross cash flows by +1/-1% would impact the closing carrying value of the amortized cost and FVTPL portfolio investments as at December 31, 2020 and as at December 31, 2019 by +/- £9.8 million and +/- £11.0 million, respectively.

The forecasting period over which ERCs are calculated is also a key estimate/judgement in our financial statements. Adding or removing six months to the cash flow forecasting period would increase/(reduce) the closing carrying value of the portfolio investments as at December 31,

2020 by £8.6 million/(£11.0) million and as at December 31, 2019 by £12.5 million/(£17.3) million.

The carrying value of our investments directly affects our total income and, as such, the estimation of the ERC will impact not just the carrying value of the portfolio investments, but also our total income. See "*—Description of Key Statement of Profit or Loss and Other Items—Total Income*."

Fair value of net assets acquired as part of business combinations

We capitalize goodwill on the acquisition of entities. Goodwill is the excess of the consideration paid over the fair value of net assets acquired. Therefore, the fair value of assets acquired directly impacts the amount of goodwill recognized on acquisition. The determination of the fair value of acquired net assets requires the exercise of management judgement, particularly for those financial assets or liabilities for which there are no quoted prices, or assets such as acquired portfolio investments and customer intangibles where valuations reflect estimates of amounts and timing of future cash flows. Different valuations would result in changes to the goodwill arising and to the post-acquisition performance of the acquired entities.

Impairment assessment of goodwill balances

The carrying amount of goodwill held on the AGG consolidated balance sheet is £278.3 million as at December 31, 2020. Following the Acquisition, consolidated accounts will now be prepared by the Parent and goodwill relating to the Acquisition will be created. See "*—Description of Key Balance Sheet Statement Items—Goodwill*." In line with our accounting policies, this newly formed goodwill balance will need to be assessed for impairment at each annual reporting date. The impairment assessment is expected to be carried out on a value in use basis, using discounted cash flow models for each CGU to determine whether the ongoing value in use of each CGU is higher than its carrying amount. For the goodwill held on the consolidated balance sheet of AGG, no impairment was recognized as a result of the assessment performed as at December 31, 2020 or in prior accounting periods. The assessment is sensitive to the discount rate applied, and management's forecast future cash flows for each CGU.

Recent Accounting Pronouncements

We were required to adopt IFRS 9 (*Financial Instruments*) and IFRS 15 (*Revenue for Contracts with Customers*) as of January 1, 2018.

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 (Financial Instruments: Recognition and Measurement). IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. With respect to impairment, IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" ("**ECL**") model, which has a broader scope of application than IAS 39. This has the effect of recognizing impairment of purchased loan portfolios and loan notes earlier than at present. The estimation of ECLs requires considerable judgement since they should include an assessment of forward-looking

economic assumptions which are determined on a probability-weighted basis based on reasonable and supportable forecasts. IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluation of a range of possible outcomes that incorporates forecasts of future economic conditions. Measurement of ECLs at each reporting period should utilize reasonable and supportable information at the reporting date about past events and current conditions, in order to inform forecasts of future economic conditions. In determining ECLs, we considered three economic scenarios, including assumptions on unemployment, gross domestic product and consumer price index, and weight these according to their likely occurrence. The scenarios included a central scenario, based on the current economic environment, and upside scenario and a downside scenario. The estimation and application of this forward-looking information required significant judgement and was subject to appropriate internal governance and scrutiny.

Due to the nature of our portfolios and loan notes, all such assets have been classified into Stage 3 as POCI. ECL is not recognized on initial recognition. Instead, lifetime ECL is incorporated into the calculation of effective interest rate. Any changes in lifetime ECL after initial recognition are recognized in profit or loss. ECL calculation for POCI assets is always based on an ECL over the expected life of the asset.

The new impairment model, implemented on the adoption of IFRS 9, applies to financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income, except for investments in equity instruments (which are measured at fair value through profit or loss, except where an election is made to present changes in fair value in other comprehensive income), and to contract assets. Following assessments, it was concluded there was no material change to the classification and measurement of our financial assets, and the vast majority continued to be accounted for at amortized cost. There was a small number of purchased loan portfolios and loan notes with an estimated carrying value of approximately £60 million that were reclassified to being accounted for as at fair value through the profit or loss as a result of our assessment of cash flow characteristics.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. We do not currently expect the application of IFRS 15 to result in significant difference in revenue recognition compared to current revenue recognition policies.

We were required to adopt IFRS 16 (*Leases*) as of January 1, 2019.

At inception of a contract, we assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, we use the definition of a lease in IFRS 16. At commencement or on modification of a contract that contains a lease component, we allocate consideration in the contract to each lease component on the basis of its relative standalone price.

However, for leases of premises that we have elected not to separate non-lease components and accounts for, the lease and non-lease components as a single lease component. We recognize a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is

initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the shorter of its useful economic life and the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, our incremental borrowing rate. Generally, we use our incremental borrowing rate as the discount rate. We determine our incremental borrowing rate by analyzing our borrowings from various external sources and make certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that we are reasonably certain to exercise, lease payments in an optional renewal period if we are reasonably certain to exercise an extension option, and penalties for early termination of a lease unless we are reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the EIR method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in our estimate of the amount expected to be payable under a residual value guarantee, if we change our assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset. The adjustment is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. We present right-of-use assets in ‘property, plant and equipment’ and lease liabilities in ‘trade and other payables’ in the statement of financial position.

In addition, we have elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. We recognize the lease payments associated with these leases as an expense on a straight-line basis over the lease term. Further, none of the arrangements that we have entered into have been determined to constitute us acting as a lessor under the definitions of IFRS 16.

Other than IFRS 9, 15 and 16, no other new or proposed accounting standards, to our knowledge, have or are expected to have a significant impact on our financial reporting. See generally note 2 to our consolidated financial statements included elsewhere in this Offering Memorandum for details relating to new and revised accounting standards applicable to us.

INDUSTRY

Introduction

We are an integrated asset manager with three complementary businesses, being our Fund and Investment Management, Asset Management and Servicing and Balance Sheet businesses, operating across the European alternative asset management, debt purchasing and servicing industries. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Our Business Model*."

Our Fund and Investment Management business, on behalf of LP investors in the Fund, and our Balance Sheet business acquire a broad range of portfolios, including, but not limited to, unsecured consumer loans (such as defaulted or non-performing credit card or personal loan debt), secured consumer loans (such as defaulted residential mortgage debt), defaulted commercial loans (such as defaulted commercial mortgage debt and unsecured commercial loans in a bankruptcy where the recovery may be realization of business assets, cash in court, tax credits and real estate) and real estate (such as residential or commercial properties). We currently acquire portfolios originated in the UK, Ireland, Italy, Portugal and the Netherlands. The main source of such portfolios is the European NPL and other non-core asset markets, acquired in both the primary and secondary markets. Our Asset Management and Servicing business services assets similar to those acquired by our Fund and Investment Management and Balance Sheet businesses, either on their behalf or behalf of third parties.

In addition, since we acquire portfolios on behalf of LP investors, through our Fund and Investment Management business, the dynamics of the private credit fundraising market are important for us.

The European NPL market

The European NPL market (including the UK) is substantial in size. Following the global financial crisis in 2008, NPLs in the European financial systems peaked at approximately €1.2 trillion. While NPLs had decreased to roughly half of that figure by the end of 2019, stress tests on banks by the ECB suggest that NPLs could reach a new peak at roughly €1.4 trillion as a result of the COVID-19 pandemic and its unprecedented economic and social challenges.

In the ten years following the global financial crisis, NPLs with a face value of approximately €700 billion traded through portfolio sales. Even with the unprecedented slowdown in transactions as a result of the COVID-19 pandemic, it is estimated that approximately €78 billion of NPLs traded through portfolio sales in 2020. In 2021, an estimated €30 billion has traded so far with a further €70 billion in the pipeline for the remainder of the year, bringing the total close to 2019 levels. Transactions worth approximately €100 billion are expected to trade in 2022.

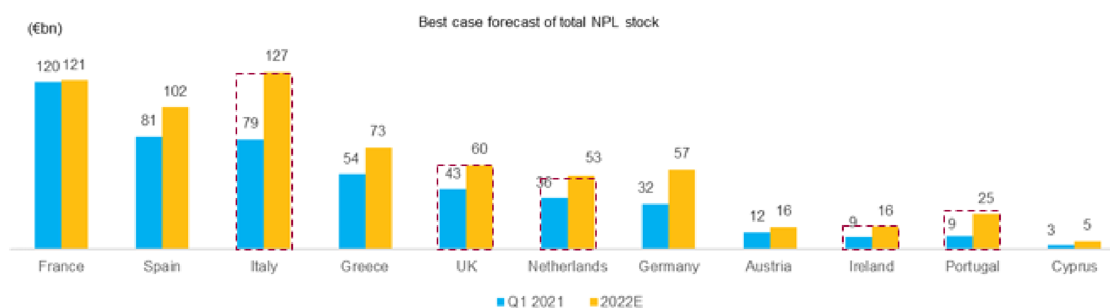
European NPL volumes peaked at approximately €1.2 trillion following the global financial crisis and decreased to approximately €600 billion by the end of 2019. Despite the COVID-19 pandemic, the EBA's Q4 2020 Risk Dashboard indicates that the total stock of European bank NPLs, including the UK, decreased over the year to approximately €528 billion at the end of 2020. This decrease is likely attributable to COVID-19 related loan moratoria and other relief measures.

We believe that the economic and social challenges caused by the COVID-19 pandemic will lead to a material increase in European NPL volumes, with the ECB's stress tests suggesting that NPLs could peak at approximately €1.4 trillion, approximately €200 billion higher than the previous peak.

NPL volumes and forecasts by country

NPL volumes vary by country. Northern European countries were quicker to work through their NPL stocks following the global financial crisis in 2008, whereas many Southern European countries have not worked through their legacy NPL stocks, despite being major sellers in recent years, and as a result have high NPL volumes, on a relative basis.

NPL volumes in our core markets are large and expected to increase materially as a result of the economic effects brought on by the COVID-19 pandemic. The chart below illustrates the current stock and anticipated rise in NPL volumes in various European countries following the COVID-19 pandemic.



Sources: 1. EBA, EBA Risk Dashboard Q1 2021, page 29. 2. KPMG, Navigating European distressed markets - European debt sales 2021, page 62. 3. UK data is sourced from: https://www.whitecase.com/publications/insight/european-non-performing-loan-trends/regional-spotlight-npls (used Year end 2020 as proxy for Q1 2021).

Note: 2022E Projections for UK, Netherlands Austria, Cyprus are estimated based on KPMG assumption (page 62 of report: Navigating European distressed markets - European debt sales 2021) – 41% increase as compared with Q3 2020.

NPL transaction activity

Since 2014, NPL transaction activity has been robust with a minimum of €100 billion of NPLs by face value trading every year up to and including 2019.

Most NPL transaction activity was significantly curtailed during the second quarter of 2020 as the first wave of the COVID-19 pandemic spread throughout Europe. In the second half of 2020, approximately €54 billion of NPLs were traded as processes that were initially put on hold returned to the market, bringing total transaction activity to approximately €78 billion for 2020, across 103 transactions. This marked a major slowdown in activity from previous years, with volumes traded down 35% below the total for 2019 of approximately €120 billion and 62% down from the high-water mark in 2018, when over €200 billion was traded. According to a 2021 report by Deloitte,

as of June 2021, approximately €30 billion has traded with a further €70 billion in the pipeline for the remainder of the year, bringing the total close to 2019 levels, and (according to a PwC report) with approximately €100 billion expected to trade in 2022.

NPL transaction activity by country

Historically, NPL transaction activity has been highest in those countries that had material NPL volumes and quickly put in place the right infrastructure to work through their NPLs following the global financial crisis in 2008. Countries that did not have material NPL volumes following the global financial have not been very active in the NPL portfolio sale market.

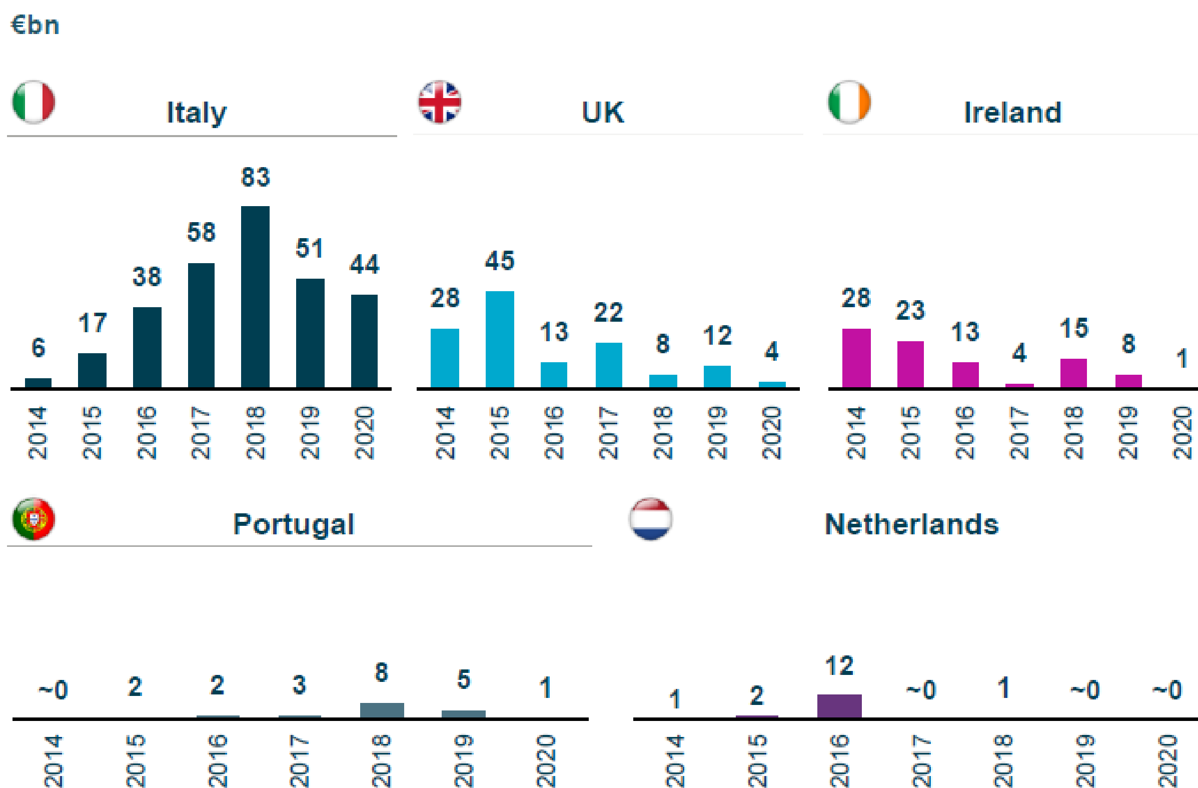
Our core markets have been and continue to be some of the most active in NPL portfolio sales.

Source: Deloitte, Deleveraging Europe June 2021, page 8.

Secondary market activity

The transaction activity in our core markets (being, the UK, Ireland, Italy, the Netherlands and Portugal) since 2014 has been very high with over €500 billion of primary NPL portfolio sales across all markets. The main acquirers of portfolios are closed-end funds and, as such, this primary market activity in turn creates a very large and attractive secondary market at the end of such closed-end fund's life. Based on management estimates, we believe that the main acquirers of NPL portfolios will generally hold a portfolio for approximately six years on average and will expect to collect approximately half of the amounts outstanding in that time.

Such closed-end funds will seek to sell their portfolios at the end of their fund life, which, given the primary activity building through to 2018, will lead to the creation of a significant secondary market that is expected to rise through until 2024. In many cases, the incumbent servicer, such as ourselves, is best placed to acquire the portfolio in the secondary market, given its knowledge of the portfolios performance and the frictional costs associated with changing a servicer. The chart below is a summary of the activity by year in the primary markets within each of the territories in which we operate, and it provides an indication of the upcoming flow into the secondary market.

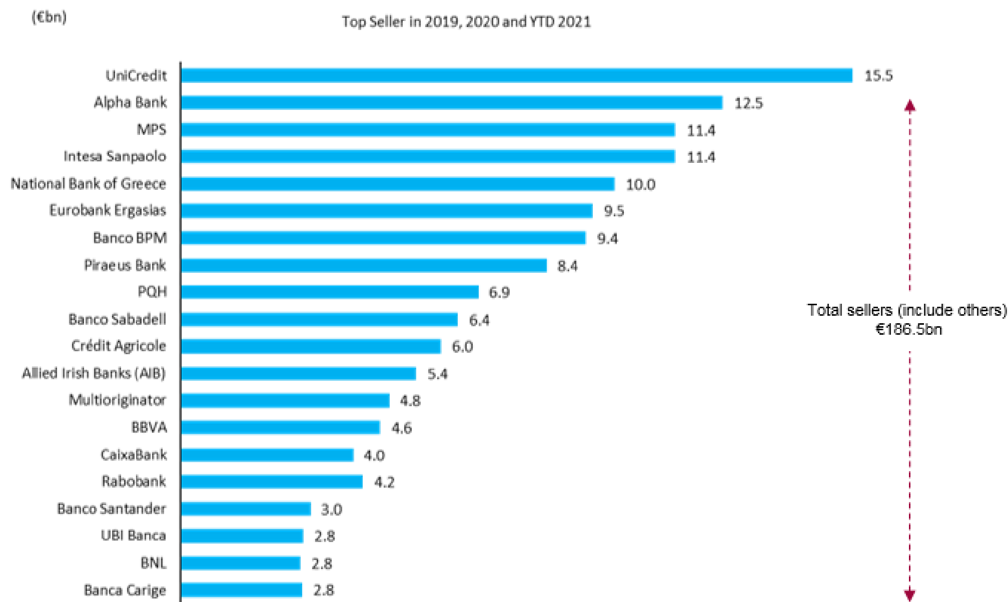


Sources: 1. Deloitte, Deleveraging Europe June 2021, Italy: page 79, Portugal: page 94, UK: page 59, Ireland: page 65. 2. KPMG, Navigating
European distressed markets - European debt sales 2021, page 51 (Netherlands 2019 transaction activity). 3. Deloitte, Loan portfolio markets continue to soar: Focus on Europe 2018, page 50, for 2014-2017 values for Netherlands. 4. Debtwire, European NPLs FY18, page 32, for 2018 value for Netherlands, referring to Project Purple that was indicated by Deloitte as ongoing in YE2017 and closed in 2018 as per Debtwire disclosure.

Market participants

Sellers

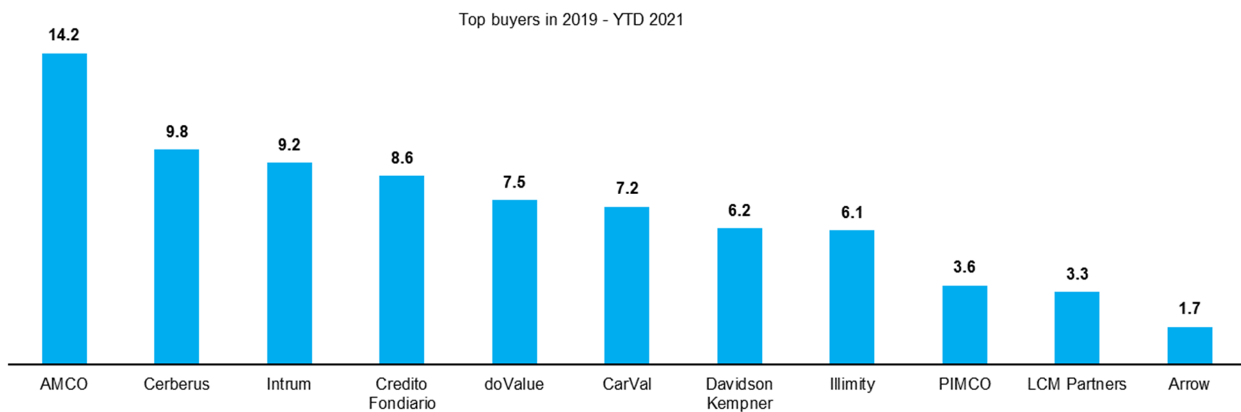
There are a wide variety of sellers in the European NPL market ranging from banks, national agencies (sometimes referred to as bad banks), telecommunications providers, utility companies, motor finance, store credit, and home retail debt originators and, most recently, public sector entities. However, the market is highly concentrated, with a few sellers conducting the majority of transactions. The top 20 sellers accounted for approximately 74% of portfolio sales by face value in 2019, 2020 and 2021 to-date. Of the top 20, 18 are banks.



Source: KPMG, Navigating European distressed markets - European debt sales 2021, page 52.

Buyers

Similarly, there are a wide variety of buyers in the European NPL market, ranging from alternative fund managers (e.g., specialist credit funds, hedge funds, etc.), national agencies, banks and specialist debt purchasers and debt collectors. Among the top ten buyers of NPLs in Europe since the start of 2019, four Italian buyers – AMCO, Credito Fondiario, doValue and Illimity – accounted for over 48% of the total debt purchases in that year.



Sources: 1. KPMG, Navigating European distressed markets - European debt sales 2021, page 53. 2. Arrow company disclosure (Q1 FY21 results presentation Fund Management Analyst Seminar 2020), company disclosed 40% of the fund deployed or committed as of Q1 2021, thus the debt purchase for Arrow in 2019-YTD 2021 is estimated as: 40% of FIM FuM of €4.3bn.

Impact of the COVID-19 pandemic

As a result of government imposed containment measures to curb the spread of the COVID-19 virus, activity within the European NPL market was significantly curtailed during the first half of 2020, with activity increasing during the second half of that year, driven largely through the use of government-guaranteed securitization schemes.

As a result of government support measures and the expected time lag before the effects of the initial economic shock, defaults and insolvencies are still at a moderate level across Europe. Many stakeholders are awaiting the impact of the unwinding of government support measures (e.g., the end of various loan moratoria). If the recovery is slow and protracted, a rise in credit losses could reasonably push NPL stocks in some countries close to or over the levels reached during the 2007/2008 global financial crisis. There is also a real risk that a so called "zombie" class of borrowers will emerge, being those who have been propped up financially by government and other COVID-19-related support measures but who are susceptible to defaulting on their loans after such government support has been withdrawn.

The ECB has acknowledged that most banks are adopting prudent financial projections in their reporting since the COVID-19 pandemic. However, as consensus of a stronger than expected recovery has grown, the ECB has stressed continued caution ahead of releasing any provisions. A particular concern is the steady growth of Stage 2 loans, a leading indicator for future NPLs that, according to the EBA, rose to 9.1% of total loans across Europe in December 2020 from 6.5% in December 2019, and rose to 13.4% of total loans in the UK in December 2020 from 7.7% in December 2019. This area will be a key focus of potential stress as government measures come to an end. With even a subset of these loans souring to NPLs, banks would face a significant challenge and see a material rise in NPL volumes. According to a Deloitte report titled *Deleveraging Europe (June 2021*), banks in the UK will continue to assess their post-Brexit and post-COVID-19 pandemic requirements, and we expect to see several non-core disposals over the course of 2021 and into 2022, as banks accelerate plans to wind down and deleverage non-core assets, whether through equity sales or pure asset trades.

According to the EBA's September 2020 survey, more than 75% of European banks were expecting a deterioration in asset quality for corporate portfolios as well as consumer credit. Unlike the global financial crisis in 2007/2008, the exposures with the greatest stress are concentrated in sectors such as retail, leisure and hospitality, where borrowers have been most directly impacted by the COVID-19 pandemic.

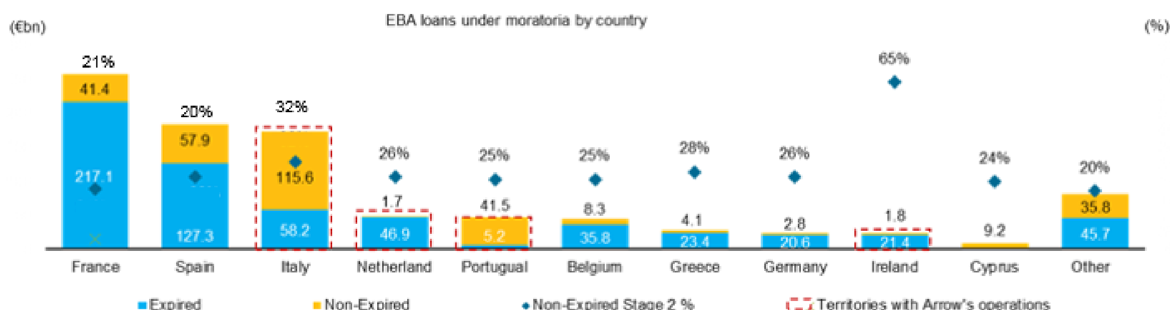
Among the largest banks in Europe, approximately €118.1 billion of provisions were set aside during 2020, doubling the €54.5 billion set aside in 2019, as banks frontloaded their expected credit losses. Of this total, €76.5 billion of loan losses were provisioned in the first half of the year, with a substantial drop in the second half of the year to €41.6 billion, as economic forecasts showed slight signs of a recovery.

The average NPL ratio across EBA banks fell in Q4 2020 by 20bps to 2.6%. This lower NPL ratio reflects both a reduction in NPL volumes and also an increase in total loans and advances, including those through government-backed loan support schemes launched in response to the COVID-19 pandemic. See "*Risk Factors—Other Risks Relating to our Operations—Our*

business, financial condition, cash flows and results of operations have been and may continue to be adversely affected by the COVID-19 pandemic." and "*—Changes in the economic and/or political environment and/or the climate in the markets in which we operate may have a material adverse effect on our business, results of operations and financial condition.*"

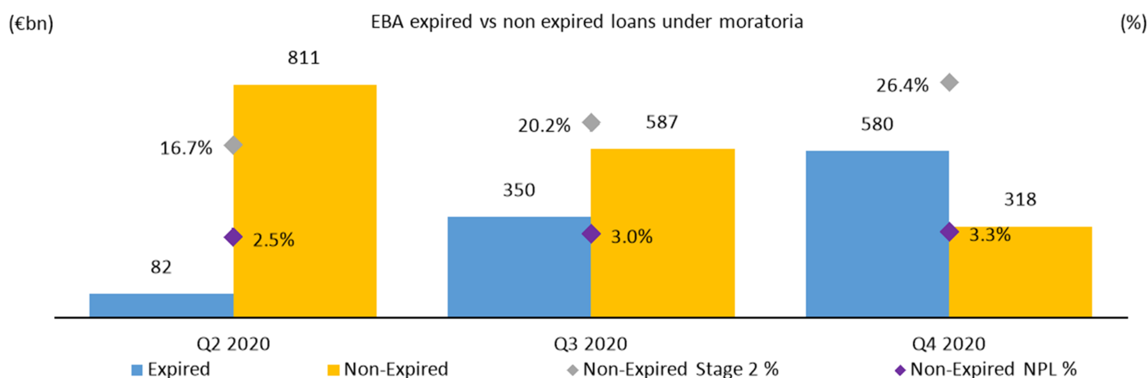
Impact of loan moratoria and other measures

Over the period since the COVID-19 pandemic began, €900 billion of European loans received support through EBA-eligible moratoria. The chart below shows that of these, 70% were granted by banks in France, Spain and Italy, making these jurisdictions potential hotspots as relief measures are unwound.



Sources: 1. Deloitte, Deleveraging Europe June 2021, Italy: page 12. 2. Q1 2021 EBA Risk Dashboard report, page 39 for Ireland data as of December 2020.

In Q4 2020, loans under EBA-eligible moratoria almost halved, decreasing from €587 billion at the end of Q3 2020 to €318 billion, with exposures to non-financial companies declining the most. Meanwhile, the proportion of Stage 2 loans under non-expired moratoria continued an upward trend, standing at 26.4% in Q4 2020, up by 6.2 percentage points from Q3 2020. Although it is still early to draw conclusions about asset quality, it is noteworthy that the proportion of Stage 2 loans under moratoria is almost three times higher than the 9.1% ratio for total loans across Europe, emphasizing the potential downside risks once the moratoria expire.



Source: Deloitte, Deleveraging Europe June 2021, Italy: page 13.

During the same time, the proportion of loans under public guarantee schemes across EBA banks increased by 19% reaching €343 billion during Q4 2020, up from €289 billion at the end of Q3 2020. According to EBA's Q4 2020 Risk Dashboard, approximately 40% of the loans subject to public guarantee schemes have a residual maturity of two to five years.

The debt collection and debt servicing market

Generally, the debt collection or debt servicing business model consists of the provision of debt collection services on behalf of a third-party (typically the debt originator). Debt servicers usually receive a fee related either to the face value of the debt portfolio under management or on the basis of the collections generated. Debt servicers can provide third-party collection services for either performing or non-performing debt. The latter can be particularly burdensome for debt originators, as non-performing debt tends to entail significant efforts both in terms of time and special skills and resources required. As a result, debt originators often decide to outsource debt collection functions to specialized debt servicers as the latter have dedicated competencies, experience and more appropriate structures to perform these activities. Additionally, debt originators may decide to externalize some of their accounts to debt servicers to compare their internal recovery performance with that of a specialized third-party provider.

There are a number of business models in the market:

Third-party servicing only

Collection and servicing of portfolios on behalf of a third-party, typically, a fund, a bank or a utility company, without any direct investment in the underlying loan portfolio.

Debt purchasing and collection

Direct investment in or acquisition of an underlying portfolio from a third-party debt originator and collection and servicing of acquired portfolios for the debt purchaser's benefit.

Hybrid debt purchasing, collection and third-party servicing

A hybrid combination of debt purchasing and collection whereby a debt purchaser acquires, collects and services portfolios for their own benefit but also provides its expert debt collection and servicing capabilities to third-parties creating a more diversified and stable business model.

Fund management

Direct investment in or acquisition of an underlying portfolio on behalf of other investors. Fund managers typically employ the services of one of the above business models to collect and service the portfolios they have acquired and earn management and performance fees from their investors.

Integrated asset manager

We are an integrated asset manager operating in the European NPL market that combines debt purchasing, debt servicing and fund management, where the three business models are

complementary to one another, fully integrated and able to maximize the synergistic benefits across their revenue channels and cost base. See "*Business—Our businesses.*" During the first half of 2021, our debt purchasing, debt servicing and fund management businesses yielded 54%, 33% and 13% of our total revenue, respectively.

Specialization and standardization

The European debt collection and debt servicing market is idiosyncratic with varying operating and regulatory models across countries and asset classes. See "*Risk Factors—Risks Relating to the Regulation of our Business*." Increasingly, market participants need to be able to provide highly specialized end-to-end services in the management, collection and servicing of loan portfolios including ancillary services connected to the core servicing activity, such as due diligence, legal, data governance and data-quality, real estate, across a number of geographies and asset classes.

Despite some of the jurisdictional differences and increasing specialization, the European debt collection and servicing industry is also becoming more standardized and integrated as markets mature, competition increases and regulators begin to play a larger role.

Regulators, such as the EBA, are attempting to harmonize jurisdictional differences in the market and to promote cross-border firms through regulation. In the first quarter of 2020, the EBA published an update to the Credit Servicers Directive, which is based on the best practice observed in Ireland and Spain, countries hardest hit by the 2007/2008 global financial crisis. The Directive aims to blend best practices and level the playing field for competition, to encourage new market entrants and deepen liquidity of the NPL market. Recommendations include a passporting regime, data standardization and infrastructure. This will likely result in the standardization of processes, operations, data requirements, etc. across the European market. All of this means that operators need to have broad capabilities so that they are able to operate across a number of geographies and asset classes allowing them to build an established and scalable presence to better compete in the market.

While increased regulation will undoubtedly increase the cost of doing business, operators are already one step ahead and are investing heavily in technology and people to enhance operational effectiveness and flexibility in order to maintain and improve their margins and financial performance.

As the debt collection and servicing market in Europe continues to transform, with debt collectors and servicers investing to meet market demand and exploit growth opportunities, it is likely that in the medium to long term, small players may merge with large international servicing platforms, thereby leveraging strong economies of scale, competence and commercial presence, contributing to market concentration.

Overall, the highly competitive European debt collection and servicing market is likely to result in firms specializing in markets where they outperform the market. The larger operators will continue to manage large NPL portfolios and securitization, while smaller operators will focus on local markets for secondary and tertiary portfolios.

A trend that continues to gain prominence in the European debt collection and servicing market is the increasing willingness of banks and other lenders to outsource their debt collection and servicing to specialist providers not only for their NPL portfolios but across their performing portfolios as well. The COVID-19 pandemic has put banks under a lot of operational pressure, coupled with the dynamics playing out in the broader macroeconomic environment, banks' margins and profitability are also under increasing pressure. As a result, banks are increasingly focusing on their core competencies in the origination of loans and looking to others with core competencies in debt collection and servicing to replace some of their in-house functions where they do not consider themselves to have an advantage. See "*Business—Our Key Strengths—Attractive market with strong growth drivers*." This creates a very material and attractive opportunity for debt collectors and servicers with a desire to expand in this part of the market which typically comes with higher quality recurring revenues without the capital and liquidity intensity of a debt purchasing business.

Alternative investment management

Private debt emerged as a core alternative asset class after the 2007/2008 global financial crisis and has once again proved its value and importance in supporting businesses and the economy as a whole in a volatile year, with the COVID-19 driven slowdown driving total assets to new highs. According to data from Preqin, AUM increased to $887 billion as of June 2020, making private debt the third largest among the private capital asset classes, followed by private equity and real estate.

Funds continued to flow into the asset class as private debt investments offered higher returns as compared to public debt investments given the low interest rate environment in response to the COVID-19 pandemic. The $118 billion raised across 200 private debt funds in 2020 was approximately 10% down on both measures from 2019, though almost a quarter of funds raised 125% or more of their initial targets. Undrawn commitments stood at $320 billion as of December 2020, up 19% from a year prior. A combination of reduced M&A and surplus liquidity in other debt pools slowed investment and deployment rates. Increasing competition and the amount of capital chasing deals will likely put pressure on returns across the asset class, although opportunities for higher returns exist in more value-added strategies, such as NPLs or distressed debt.

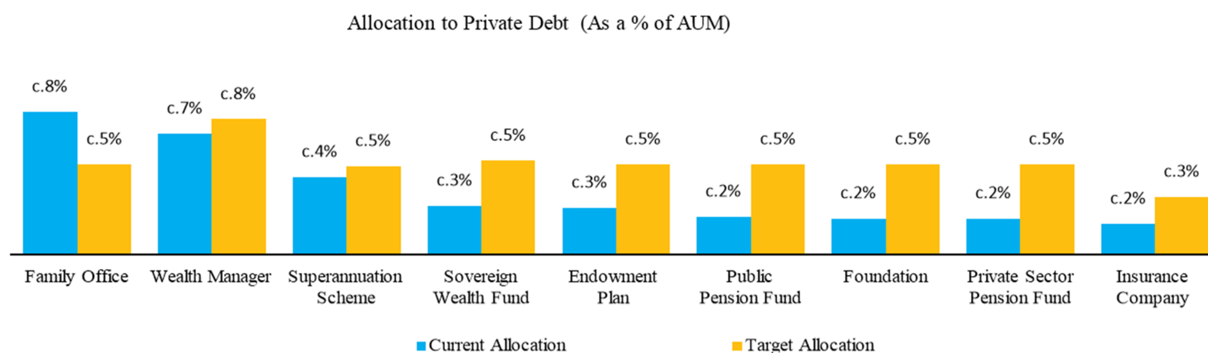
Private debt is no longer considered a niche product Preqin has reported that approximately 81% of global LP investors expect to increase their allocation to alternative investments, including private debt. In particular, distressed debt and special situations have been an area of growth for most private credit managers. The proportion of capital allocated to the two latter strategies has been increasing over the last ten years, up from 16% in 2009 to 40% in 2020. Distressed debt AUM increased by $9 billion over 2020, driven by a 15% increase in un-deployed capital. While the increase in commitments was due in part to expectations of a surge in distressed and restructuring deals, emergency government stimulus measures and government guaranteed loan facilities prevented, or at least delayed, distress for many customers and companies, as previously described.

According to a 2020 Global Private Debt report by Pitchbook, our inaugural fund raise for the Fund ranked as the third largest credit fundraise in special situations globally in 2020 and the fourth largest private credit raise in Europe. Further, our inaugural fund raise for the Fund ranked

as the largest inaugural fundraise in private debt globally in 2020 based on the information available to us. See "*Business—Our Key Strengths—Attractive market with strong growth drivers*."

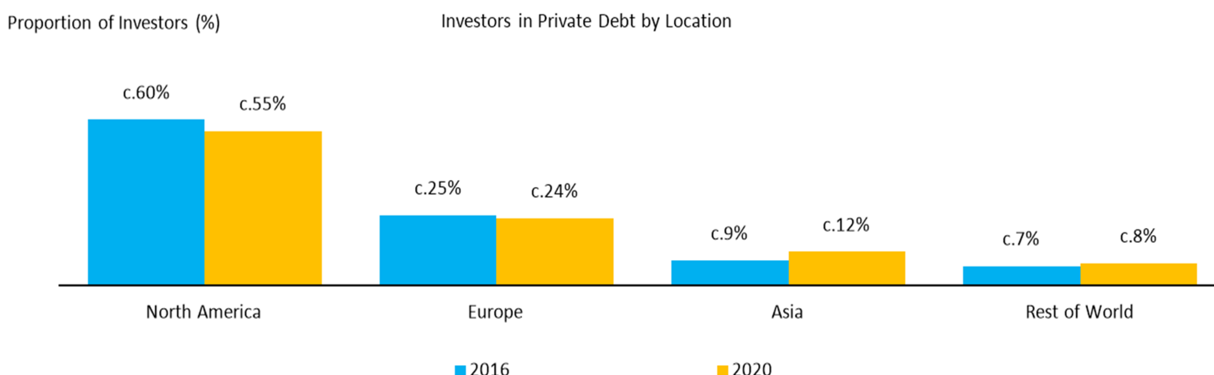
As the asset class has grown and competition has increased, aggregate returns have trended downwards but remain attractive relative to other fixed-income markets. Direct lending, which offers greater security, generated a median IRR of 8.3% for vintage years 2008 to 2017, with a standard deviation of just 5.0%, according to data from Preqin. Distressed debt returns have been more varied over the same period, with a standard deviation of 9.7%, but a higher return of 9.2%. Investors can choose the point on the risk-return spectrum that best fits their mandates and needs.

Overall, as illustrated in the chart below, investors across the board plan to increase their exposure to private debt relative to their current exposure.



Source: Preqin, Preqin Global Private Debt Report 2021, page 40.

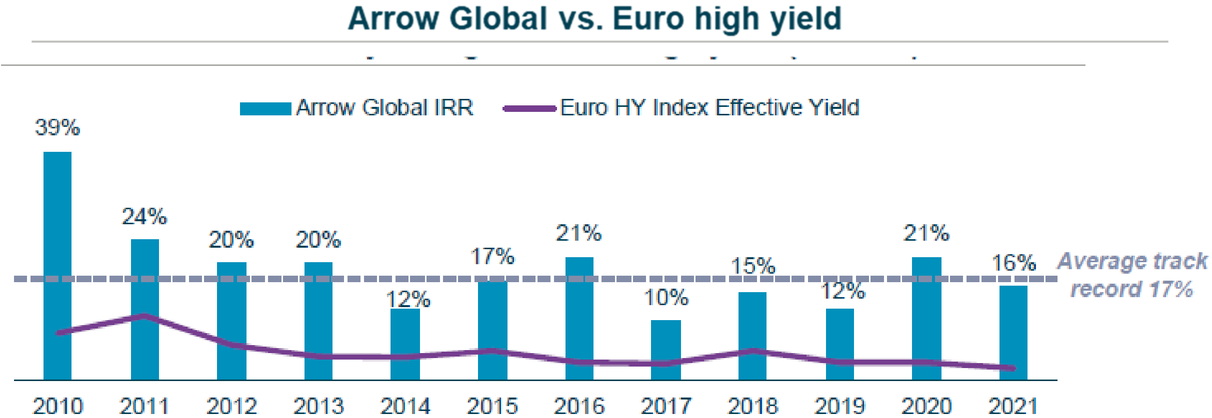
The majority of investors interested in the private debt asset class are, perhaps unsurprisingly, based in North America with European investors a clear but distant second as a proportion of all investors, as shown in the chart below.



Source: Preqin, Preqin Global Private Debt Report 2021, page 40.

These trends are primarily driven by the returns available in the private debt market, notably distressed debt markets such as the European NPL market. It is common for these markets to outperform other comparable investments, particularly after periods of economic stress. This was evident following the global financial crisis in 2008 and a similar outperformance is expected

following the COVID-19 pandemic. Even on a simple average basis, the returns generated by debt purchasers and collectors typically outperform other comparable investments by some margin. For example, as illustrated in the chart below, our performance by vintage year outperforms the Euro high yield index. See "*Business—Our Key Strengths—Strong track record of being a leading European investor and asset manager*."



Source: Company information.

Market participants: fund and asset managers

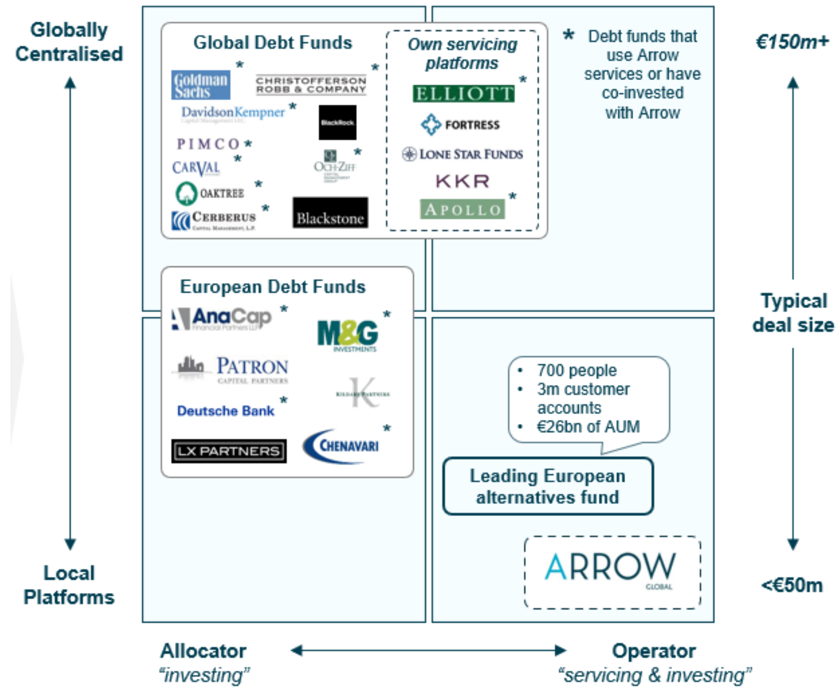
As previously described, there are a large number of participants in the European NPL market. See "*—Market participants*." Fund or asset managers are a subset of the broader universe of market participants and they include:

Global debt funds

These are large funds with a global presence, typically focused on investing only with reliance on others for their debt collection and servicing. Based on our past experience, global debt funds will normally invest in excess of €150 million in a typical transaction. Key participants include PIMCO, CarVal, Oaktree, Cerberus, Blackstone, Fortress, KKR, LoneStar, among others.

Local (European) debt funds

These are large funds with a more local presence. They also typically focus on investing only and rely on others for their debt collection and servicing capabilities. Based on our past experience, local European debt funds will normally invest between €50 million and €100 million in a typical transaction. As set out in the chart below, key participants include AnaCap, M&G, Chenavari, Deutsche Bank, Patron Capital Partners, among others.



Note: Prepared based on Company information and estimates.

Our Fund and Investment Management business targets transactions of less than €50 million, therefore not directly competing with the global debt funds or local (European) debt funds. In addition, we provide debt collection and servicing capabilities to over half of the fund of asset managers participating in the European NPL market and a number of them have also invested with us. See "*Business—Current Trends—NPL and non-core asset market dynamics*."

BUSINESS

Overview

Established in 2005, we are a leading European investor and asset manager of debt in the non-performing and non-core assets sector, principally operating in the UK, Portugal, the Netherlands, Italy and Ireland. As of June 30, 2021, we had £4.8 billion of FUM, £1,028 million in portfolio investments, £1,572 million 84-month ERC, £1,733 million 120-month ERC, and, in the six months ended June 30, 2021, generated Adjusted Free Cash Flow in the amount of £90.7 million.

We operate as an integrated asset manager, a unique model with three operating divisions that provide strong synergistic benefits to one another. See "*—Our businesses*" below and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Our Business Model*." Our model focuses on generating higher levels of capital-light revenue and, as such, is a comparatively less capital-intensive model than many other businesses that operate in our sector. Our three operating divisions are detailed below:

1. *Fund and Investment Management*: Our Fund and Investment Management business invests third-party committed capital on behalf of our clients and includes the management of our inaugural discretionary closed-end fund, Arrow Credit Opportunities, with total capital commitments of €1.7 billion, together with Norfin, Europa Investimenti and Sagitta;

2. *Asset Management and Servicing*: Our Asset Management and Servicing platforms service and manage collections and other activities related to portfolio investments, on behalf of both our Fund and Investment Management business and our Balance Sheet business, as well as third-party clients. We have built market-leading positions, niche-dominant platforms and competitive servicing platforms, with expertise in consumer, real estate, mortgage and SME NPLs and non-core asset servicing across the five jurisdictions in which we operate; and

3. *Balance Sheet*: Our Balance Sheet business invests our own capital. Since the deployment of the Fund in 2020, our investments have typically been made by way of a co-investment alongside the Fund, via a 100% owned Jersey partnership, Arrow SMA. Going forward, we expect the Balance Sheet business to function primarily for the purpose of co-investment activities alongside the Fund as well as any future funds. We may, however, continue to make direct investments through this business for certain strategic reasons. The Balance Sheet business also incorporates the financial performance of the back book portfolio investments made prior to the launch of the Fund.

Our businesses provide strong synergistic benefits to one another. Our Fund and Investment Management business, benefiting from our 15-year track record of delivering attractive risk-adjusted returns, invests on behalf of our Balance Sheet business, with typically 25% co-investment in new portfolio investments alongside the Fund, and approximately 71% of these portfolio investments are currently serviced by our Asset Management and Servicing platforms.

We identify, acquire and service a wide range of secured and unsecured defaulted and non-core loan and real estate portfolios primarily from financial institutions, such as banks, institutional fund investors and specialist lenders, playing an active role in helping financial institutions reduce their balance sheets and re-capitalize in order to increase mainstream lending. By purchasing and managing NPLs and other non-core assets, we provide valuable capital and expertise to a growing European market.

Our purpose is to help build better financial futures for our customers, clients, communities, employees and other stakeholders. As such, great importance is placed on achieving fair outcomes for customers through affordable repayment programs and helping them improve their credit score. We believe that we are one of the leading providers of debt purchase and receivables management solutions in the territories in which we operate.

Through our platforms we have developed local knowledge of acquiring and servicing NPLs and other non-core assets across attractive European markets. We offer a differentiated and diversified European NPL strategy by leveraging our deep local expertise across the five key European jurisdictions in which we operate. Our relevant track record and experience having operated in each of our core markets for a long time as well as our familiarity with each asset class provides us with a competitive advantage that is supported by local and experienced "on-the-ground" teams. In addition, our presence in these jurisdictions enables us to target smaller transactions in more sophisticated granular assets where local knowledge provides a competitive advantage and supports the creation of relationships with debt originators, enabling origination of off-market deals (i.e., deals not acquired through a process involving a competitive bid or an auction-like process).

Our ability to meet our targets and deliver consistently high IRR on our portfolio investments is premised on several factors including our experienced investment professionals, our local expertise in acquiring and servicing NPLs and other non-core assets across attractive European markets, our strong origination capabilities with broad reach enabling us to acquire a high level of off-market deals and our leading data analytics capabilities. Our proprietary database incorporates more than 15 years of collection and payment data, over 1,000 deals underwritten since our inception, 10 million customer accounts and over 10,000 of underlying properties across multiple geographies. As we accelerate our movement towards a capital-light strategy, which focuses more on the growth of the Fund and Investment Management and Asset Management and Servicing businesses, and less on our Balance Sheet business, this will result in a change in our financial characteristics. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Our Business Model*."

As part of this shift, it is our intention that our integrated fund manager business model delivers:

- an increase in FUM, with a similar or reduced level of portfolio investments held by our Balance Sheet business;
- an increase in the proportion of the earnings of the business derived from our capital-light businesses;

- an ability to target higher return on capital invested through a reduced use of our own balance sheet to provide returns; and

- an increase in cash generation as capital-light revenues grow and less cash is required for re-investment in our own balance sheet assets, with a concomitant ability to de-lever the business.

To support our transition to a capital-light strategy, we will leverage our strong track record and experience in working with partners through our historic co-investments as well as our long-standing relationships with many of the largest institutional investors in the market. The Fund represented the largest first time fundraise in private debt globally in 2020, the third largest credit fundraise in special situations globally in 2020 and the fourth largest private credit fundraise in Europe. Our track record of generating superior returns during economic dislocation combined with LP investors' demand for private debt strategies provides a strong platform to continue to raise private funds for yield-seeking investors and our transition into a more profitable capital-light model.

Our Key Strengths

We believe we benefit from the following key strengths:

Attractive market with strong growth drivers.

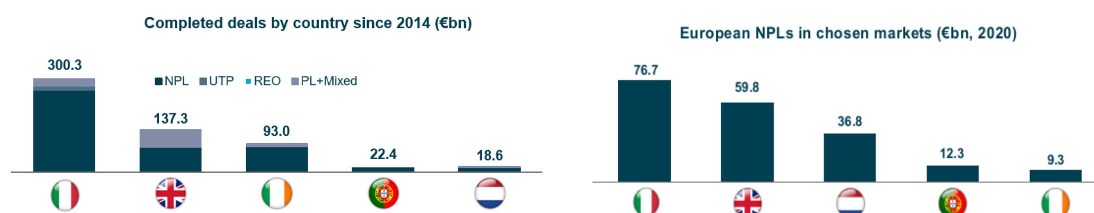
We are a leading European investor and asset manager in the non-performing and non-core assets sector principally operating in the UK, Portugal, the Netherlands, Italy and Ireland, with a 15-year track record of delivering attractive risk-adjusted returns.

Debt originators generally use debt sales as a method for managing the economic, regulatory and commercial aspects of continued ownership of defaulted loans and non-core assets and to accelerate capital release for debts that are already fully or heavily provisioned. The debt purchase and debt servicing industry is a significant component of the debt recovery process in many markets and provides an attractive solution for debt originators facing increasing capital and liquidity regulatory requirements, thereby ultimately benefiting customers. See "*Industry—The debt collection and debt servicing market*." Our business model is designed to benefit from economic dislocation, which leads to an increase in the generation of non-performing and non-core assets. Even prior to the recent economic dislocation caused by the COVID-19 pandemic, our addressable market was very large, at approximately €1.0 trillion. Over half of these assets still sit on bank balance sheets and will need to be sold in due course into the capital markets, where the largest investors are often distressed debt funds. See "*Industry—Market participants*" and "*Industry—Alternative investment management—Market participants: fund and asset managers.*" Although these assets are created continually, the rise in the level of NPLs is closely tied to periods of economic downturn. This trend was evident following the global financial crisis in 2007 and 2008, where an extremely large number of NPLs were created. The economic dislocation resulting from the COVID-19 pandemic is already resulting in historically high bank provisioning for bad loans, which we expect will begin to be sold in significant volumes in the coming years. See "*Industry—Impact of the COVID-19 pandemic*" Our current internal forecast, based on our analysis of bank provisions and forecast defaults, suggests to us that the economic impact of the

COVID-19 pandemic will lead to an increase of approximately 50% in our addressable market. This equates to approximately €500 billion of additional NPLs having been or being created on bank balance sheets.

As of December 31, 2020, the non performing exposures ("**NPE**") volume in EU banks (including the UK) decreased to €528 billion (compared to €584 billion in December 2019), with the year over year drop primarily driven by a significant increase in the support measures implemented to soften the impacts of the COVID-19 pandemic. NPL transaction activity was muted during 2020, marking a slowdown from previous years (total transaction activity of €77.8 billion, down 35% compared to 2019 and down 62% compared to 2018). We believe the impacts of the COVID-19 pandemic will increase transaction activity in 2021, which will in turn create new market opportunities. ECB 2020 stress tests suggest that NPLs levels could reach €1.4 trillion once COVID-19 related financial relief measures are withdrawn (as compared to a €1.2 trillion peak in 2015). See " *Industry—The European NPL market*."

Further, our presence within some of the largest European NPL jurisdictions, being Italy, UK, the Netherlands, Portugal and Ireland, puts us in a position to benefit from what we believe will be the greatest market prospect for non-performing assets since the global financial crisis in 2007/2008. The volume of NPLs in our primary markets is significant, as illustrated below:

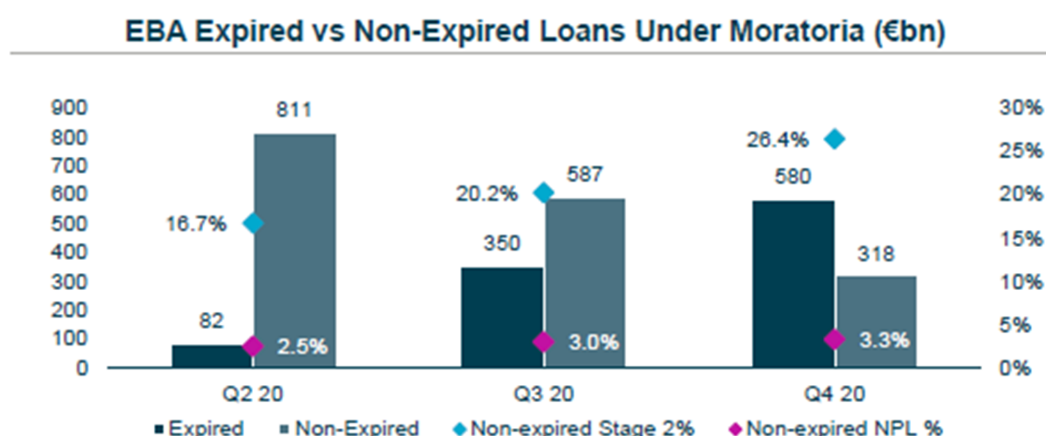


Sources: Company information, ECB, EBA Risk Dashboard, Deloitte and KPMG market reports on European NPL market.

Prior to the current economic dislocation, European banks' NPL ratios had only just begun to approach the levels targeted by the European Banking Authority ("**EBA**") and the ECB. This had followed significant regulatory pressure for banks to recognize impaired assets and subsequently deleverage on an expedited basis. The result was a period of transformational European bank balance sheet restructuring that led to over €700 billion of assets being sold from bank balance sheets into the capital markets. We anticipate that the wave of new non-performing assets that is projected to be created following the current COVID-19-related economic dislocation will continue to mean that regulation is likely to prioritize bank deleveraging, resulting in another large wave of non-performing asset sales in the coming years. See "*Industry—The impact of the COVID-19 pandemic*." In addition to presenting investment opportunities, increased deleveraging by European banks is also expected to present significant asset servicing opportunities for our Asset Management and Servicing business, which we believe we are well positioned to take advantage of. See "*Industry—The debt collection and debt servicing market—Specialization and standardization.*"

The overall declining trend in total EU NPL volumes during 2020 has been driven by the relief measures adopted to mitigate the adverse economic effects of the COVID-19 pandemic.

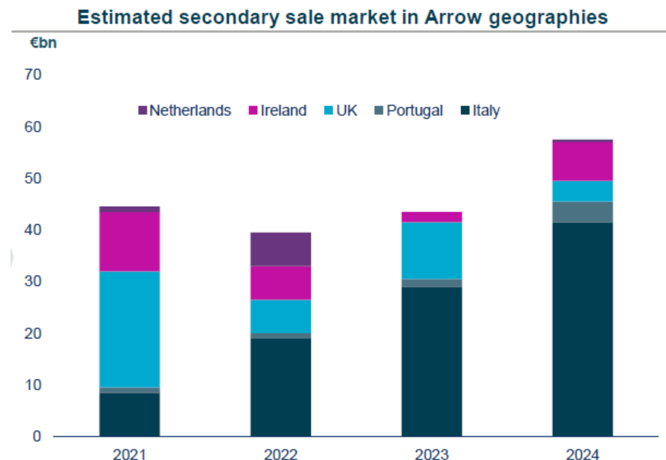
Over the period since the COVID-19 pandemic began, €900 billion of European loans received support through EBA-eligible moratoria. Our forward outlook is foreseen by the increase in Stage 2 loans (9.1% in December 2020 as compared to 6.5% in December 19). The proportion of Stage 2 loans under moratoria is 26.4%, emphasizing the potential downside risks once the moratoria expire. The chart below illustrates the large proportion of non-expired Stage 2 loans under moratoria.



Sources: EBA Risk Dashboard, KPMG Navigating European distressed markets - European debt sales 2021, Deloitte, Deleveraging Europe June 2021.

When government measures and moratoria come to an end, even a subset of these loans souring to NPL would cause banks to face a significant challenge, with a material rise in NPLs volumes, thereby creating market opportunities for new contract wins and investments. According to market consensus, the new flows will push banks to react with significant and prompt disposal processes, with the aim of remaining in line with their NPL maximum holding levels. According to PwC's July 2021 report on the Italian NPL Market, up to €100 billion of distressed credits are expected to flow in the next 24-30 months in Italy alone, one of the largest NPL markets in Europe and one of our key markets.

We are also highly active in the growing secondary market including purchasing NPLs and other non-core assets already serviced by our own platforms. Asset sales to NPL and other non-core asset buyers have grown dramatically in recent years in our key markets, suggesting a large secondary market. A typical non-performing asset portfolio has a long life, with cash collections often generated for over ten years. The majority of the over €700 billion of assets that have been sold by European banks in recent years have been purchased by large distressed asset funds. These asset funds are the largest buyers of non-performing assets in the market. Non-performing assets are typically held in a closed-end fund structure and then sold at the end of that fund's life. Based on our analysis of previous transactions in the market, we estimate that an additional €300 billion of NPLs will be generated in the market over the next four years. A large number of these NPLs already sit on our servicing platforms, providing us with a unique pipeline of potential investment opportunities, the performance of which can be forecast with a degree of certainty. This greatly enhances risk-adjusted returns should we elect to purchase such assets, which we often do. Our significant estimated secondary sale market in our geographies is illustrated in the chart below.



Sources: Company data; PwC, Deloitte and KPMG market reports on European NPLs market.

Fundraising from LP investors is also an important dynamic for our development and our offering is highly attractive to the growing number of LP investors looking to allocate to private debt. In fact, approximately 81% of the LP investors surveyed indicated that they expected to increase their allocation to alternative investments, including private debt strategies, to more than double the current levels over the next five years from 2% to 5%, according to a 2020 Preqin article regarding the future of alternatives in 2025. Our 2020 fundraise of the Fund represented one of the more successful fundraises of 2020, with the largest first time fundraise in private debt globally, third largest credit fundraise in special situations globally and fourth largest private equity fundraise in Europe. See "*Industry—Alternative investment management*." The fundraising took place during the COVID-19 pandemic, which created various operational issues, including, among others, that LP investors were unable to conduct in-person due diligence in respect of the Fund Manager. However, despite these unprecedented operational hurdles, we successfully facilitated interactions with over 100 LP investors throughout the Fund's fundraising process and we believe that such interactions have led to the formation of a strong pipeline of potential LP investors for future fundraising.

There is also an increasing propensity for banks and other debt originators to outsource their arrears or defaulted accounts collection activities which are not considered a core competency for them. See "*See "Industry—The debt collection and debt servicing market—Specialization and standardization.*" However, collection activities remain a core competency for our Asset Management and Servicing business. This shift to outsourcing collection activities has increased given the COVID-19 pandemic and is an additional market development that we believe will be beneficial for our Asset Management and Servicing business. Throughout 2020, we secured a record 26 new contract wins, a further 11 new contracts in the first half of 2021 and we believe that we are well placed to win further new third-party contracts as a servicing partner to financial institutions.

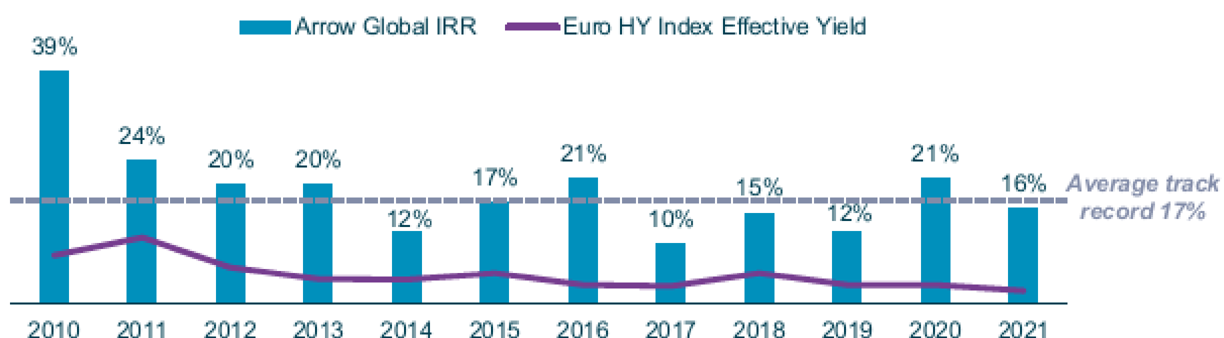
Strong track record of being a leading European investor and asset manager.

We have a strong track record of delivering superior returns, even during periods of economic dislocation, which has provided us with the strong platform to transition to our integrated asset manager model and raise funds from yield-seeking LP investors in the Fund. We believe that

the following five factors have been critical in establishing our track record of delivering high IRR on our portfolio investments:

- our people with significant experience and a deep bench of management experience;
- local know-how of acquiring and servicing NPLs and other non-core assets across attractive European markets;
- strong origination capabilities with broad reach allowing us to acquire a high level of off-market deals;
- leading data analytics capabilities, which enable us to underwrite portfolios with accuracy; and
- experience in capital partnering where we have regularly partnered with third-party funds as a minority investor.

Our track record has delivered a 17% Net Deal IRR since 2010 (despite the ERC write down as a result of the COVID 19 pandemic), including the track record of acquired businesses. Our performance by vintage year, shown in the chart below, has driven the results of our Balance Sheet business and also presents a compelling risk/return proposition for LP investors with consistent outperformance against relevant benchmarks, such as the high yield index, as illustrated below:

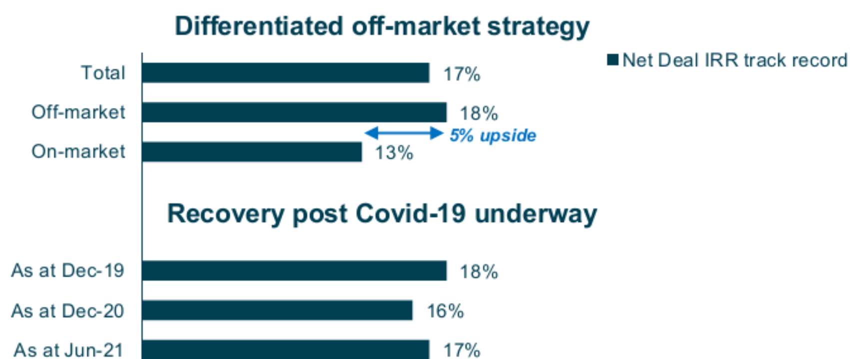


Source: Company information.

Our differentiated origination strategy targets high levels of off-market deals, leveraging off of our strong local presence and the ability to provide asset expertise on a granular basis. During 2020, based on our calculations, 74% of our total deals were acquired off-market, where deals tend to be smaller (€5 to €40 million investments) and typically deliver higher returns. Such opportunities are only generated from our deep market connections and experienced in-country NPL and non-core asset operational teams. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Results of Operations—Portfolio investments*." The benefit of our differentiated origination strategy is illustrated by the chart below, showing an incremental 5% increase to the Net Deal IRR of

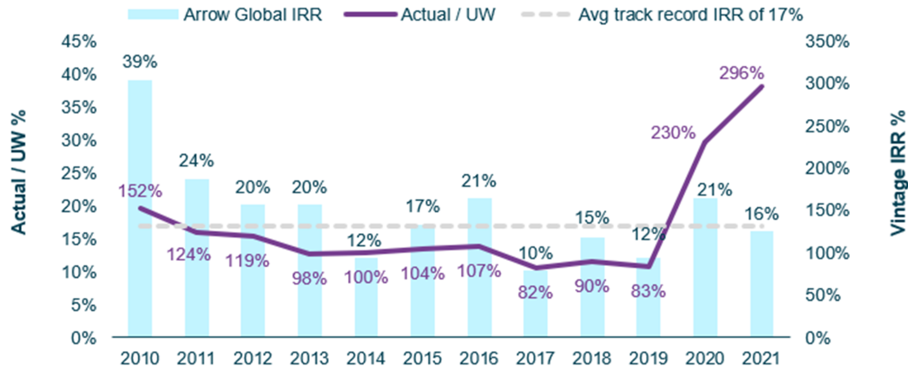
off-market deals (18% as of June 30, 2021) compared to on-market transactions (13% as of June 30, 2021) executed through competitive tender processes.

Our track record was impacted by the ERC write down in the first half of 2020 with an overall 2% reduction in the average Net Deal IRR (all deals since 2010) from December 2019 to December 2020. However, the recovery is already underway, driven by the over-performance in actual collections against the ERC and the returns achieved on more recent vintages has already led to a 1% Net Deal IRR recovery.



Source: Company information and internal calculations.

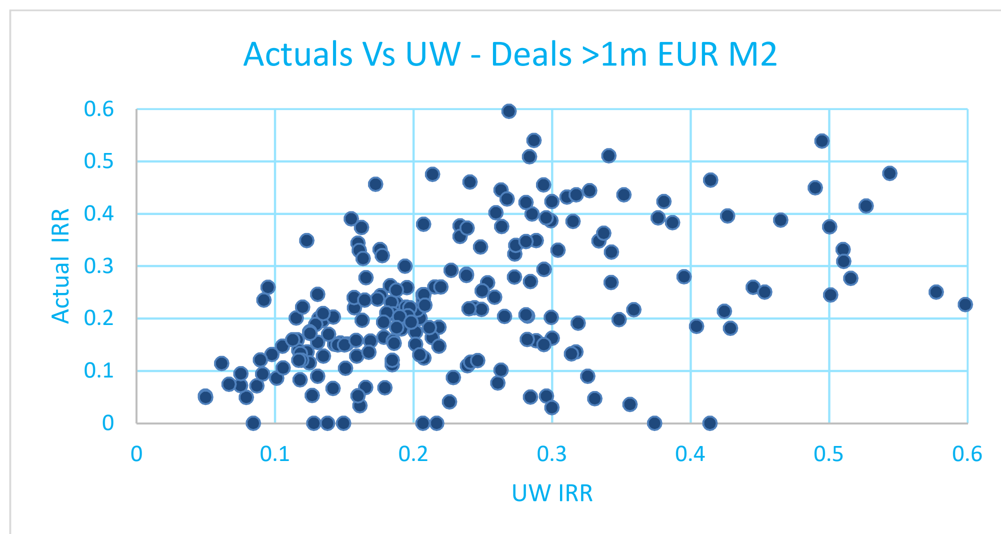
Furthermore, we have strong actual cash realization, and therefore, we have demonstrable evidence that our actual cash collections performance is in line with our underwriting assumptions at the current point in time. As of June 30, 2020, we had realized above 100% of expected cash receipts, per our underwriting curves, in eight out of twelve years (i.e., 2010 to 2021). Our 2017 vintage had two large underperforming deals as a result of collection challenges caused by the counterparty's bankruptcy and systems integration challenges and our 2018 and 2019 vintages have been impacted by the COVID-19 pandemic, which resulted in court closures and therefore impacted our ability to make cash collections. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Results of Operations—Impact of the COVID-19 pandemic*." However, given the over-performance against the current forecast ERC, there is opportunity for recovery of these vintages over time. Notably, the 2020 and 2021 vintages show strong cash recovery of 230% and 296% respectively. The strong performance of our vintages is illustrated by the chart below.



Source: Company information.

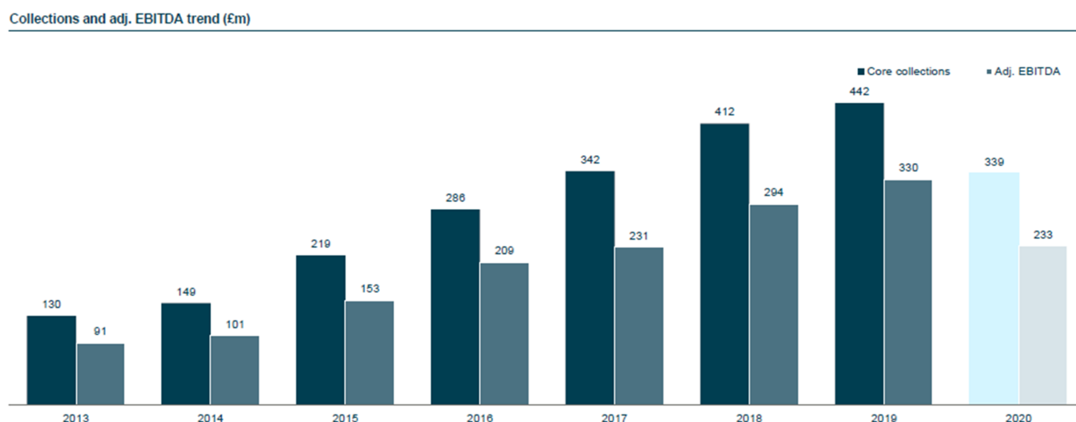
The Net Deal IRR of the 2020 vintage as of December 31, 2020 was 18%. Given the over-performance on actual collections together with reforecast ERC as of June 30, 2021, the Net Deal IRR for the 2021 vintage has increased to 21%. Given the economic uncertainty brought about by the COVID-19 pandemic, we remain cautious and have adopted a conservative approach to our investment strategy and underwriting. As such, the 2021 vintage has been underwritten at a 16% Net Deal IRR. However, there is opportunity for the 2021 vintage to outperform, particularly given that actual collections to June 30, 2021 are 296% of the expected collections at underwriting for that period.

Further, a smaller deal size ensures that our risks are well spread and of the over 1,000 deals with which we have been involved since 2010 to June 30, 2021, the investment loss on all deals that have not recovered cost is only 1.6% and 23% are forecast to make over 20% Net Deal IRR. The chart below shows the track record of deals with a comparison of underwriting versus actual Net Deal IRR.



Source: Company information and management estimates.

As mentioned above and exhibited in the graphic below, we have demonstrated consistent growth of collections and Adjusted EBITDA, with only a slowdown in 2020 due to the COVID-19 pandemic.



Source: Company information.

Integrated asset manager is a unique model not replicated by other market participants.

Following the establishment of our Fund Manager and the raising of the Fund, we have transitioned to an integrated asset manager model, which we believe is unique in our market and enables our three businesses: the Fund and Investment Management, Asset Management and Servicing and Balance Sheet to operate synergistically. Our Fund and Investment Management business originates new investment opportunities, that our Balance Sheet business can co-invest into and our Asset Management and Servicing business can then service.

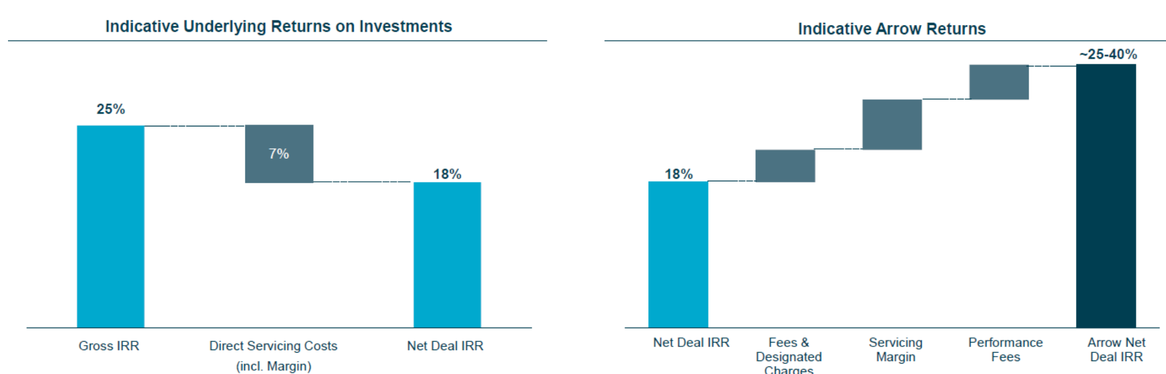
We expect our Balance Sheet business to continue to co-invest alongside fund investments, with a participation of 25% for the Fund and a lower participation, approximately 10%, for subsequent funds. Our Asset Management and Servicing business currently services 71% of the Fund's investments and the Fund pays market referenced fees for such services. The integrated asset manager model enables us to increase capital-light income, through management and performance fees generated by our Fund and Investment Management business and asset management and servicing fees delivered by our Asset Management and Servicing business.

We believe that there are two fundamental benefits to our integrated asset manager model. Firstly, we can invest at scale and further build our considerable intellectual property of investing in our chosen markets and secondly, the increase in capital-light earnings will in due course fundamentally improve our financial profile.

Investing at scale allows us to further build intellectual property through building origination capabilities through broadening and deepening relationships with Investment Portfolio Sellers and extending our reach to source off-market deals. In turn, the increased level of portfolios purchased enriches and builds our data and data analytical capabilities, leading to increased accuracy of underwriting and pricing portfolios. The increased scale is an enabler to create operational leverage within our platforms in our Asset Management and Servicing business, allowing returns to be maximized. Strong returns build our capital-light earnings, enable

deleveraging and increase the appetite from LP investors to commit financing to our subsequent funds, enabling the growth of our Fund Manager with the ability to further grow and increase the scale of our businesses.

Furthermore, our integrated asset manager model drives an improved financial risk profile, given the increase in capital-light earnings generated. The increase in the level of capital-light revenues generated for each investment drives a materially different return on capital employed. The charts below show the indicative returns for a typical balance sheet investor with a Net Deal IRR of 18%, before any overhead allocation versus the indicative returns for us under our integrated asset manager model, showing the build of returns driven by the capital-light revenues, as well as the indicative returns, pre-overheads, for us of between 25% (based upon our current 25% co-investment participation) and 40% (based upon the expected approximately 10% co-investment participation for subsequent funds).



Source: Company information.

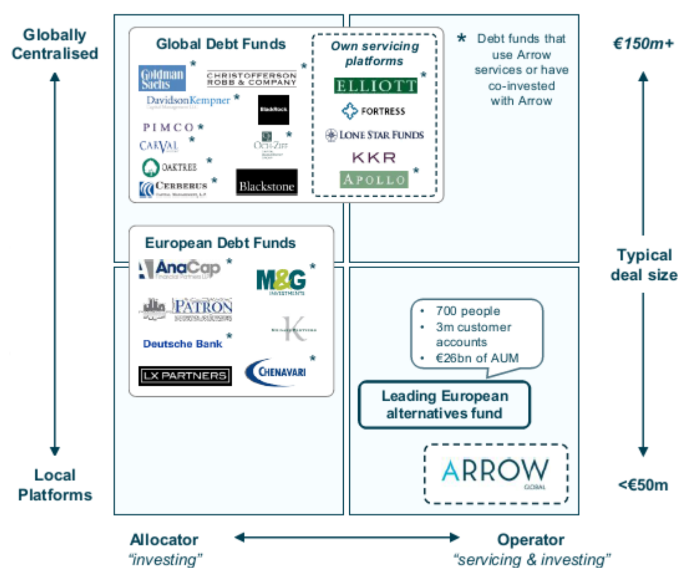
We expect to be able to increase income generated through management and performance fees charged to LP investors while increasing scale benefits to the Asset Management and Servicing business through more increased and stable servicing income. We believe that the gradual build-up of management fees, primarily fees charged on drawn capital, will grow a stable revenue source with future funds.

For the year ended December 31, 2019, our EBITDA from our capital-light businesses was 33% of our total EBITDA. Given the losses sustained during 2020, our capital-light businesses' percentage of Group EBITDA was negative 48.4%, but after adjusting for the non-cash write off of ERC in relation to the COVID-19 pandemic of £133.6 million, our capital-light businesses' percentage of Group EBITDA would have been 19.0%. Our capital-light businesses' percentage of Group EBITDA (pre-Acquisition costs) was 22.5% for the six months period ended June 30, 2021. The decrease since 2019 primarily reflects the investment in the fund management infrastructure, which will, in due course generate higher income as FUM continue to grow.

We expect, but cannot guarantee, that the returns on capital, the build of capital-light revenues and the reduced level of purchases by our Balance Sheet business (we expect to reduce our co-investment participation in future funds, including ACO 2, to approximately 10% from the current 25%) will enable us to de-lever, reduce Net Debt and, in time, materially change our financial risk profile.

Differentiated origination capability supported by local platforms.

Our Fund and Investment Management business has a differentiated approach from other institutional fund managers in the market. Based on our knowledge of the market, the majority of credit funds have a small team based in international capital centers and access the NPL and non-core asset market by mainly targeting large bank asset auctions of greater than €100 million. On the other hand, as highlighted in the chart below, our model is predicated on leveraging our large local presence in each of our markets, with local asset servicing businesses providing deep asset expertise on a granular basis, to form strong relationships with potential asset sellers and develop a detailed knowledge of a wide range of asset classes on a granular level. Our model has enabled us to consistently make more of our investments in non-competitive, off-market bi-lateral trades that are smaller in size and offer higher returns.



Note: Prepared based on Company information and estimates.

Our compelling proposition is highlighted by the Fund's support from a diversified range of sophisticated LP investors, including pension funds, insurance companies, sovereign wealth, university endowments and family offices, with global commitments ranging from the UK, Benelux, Nordics, Germany, Switzerland, the East Coast of the U.S., the West Coast of the U.S., Canada, Australia and Asia. Further, through our fundraising, we have had interactions with over 100 LP investors creating a very strong pipeline of potential investors for future fundraises.

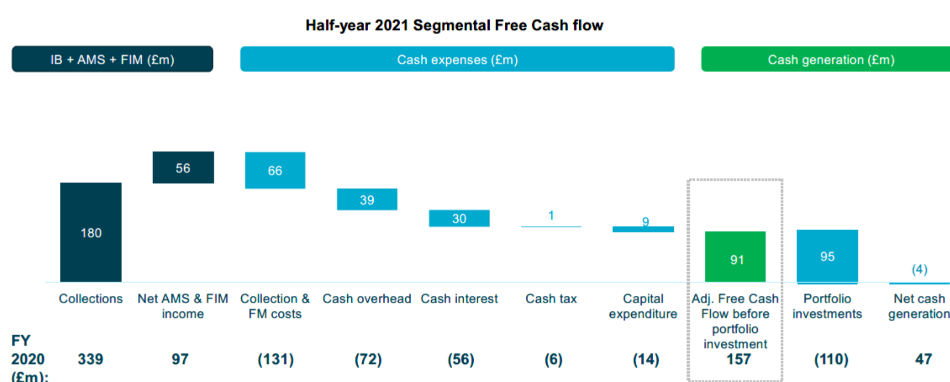
Furthermore, our Asset Management and Servicing business has market-leading platforms and is well placed to capitalize on growth opportunities. Our businesses undertake a broad range of services, including secured and unsecured collection activity, real estate asset realization and litigation and court process management, master servicing activities, such as legal title holding, securitization vehicle management activities and other activities such as due diligence, on-boarding and new origination. We also provide debt collection and servicing to many of the large institutional global and European debt funds. See "*—Our businesses—Asset Management and Servicing business*." Our combination of market leading positions, niche dominant platforms and

competitive specialist servicing and investment platforms across five markets position us as a local operator with expertise in real estate, mortgage, SME and consumer NPL servicing. We achieved a record of 26 contract wins in 2020, with a further 11 new contract wins during the first half of 2021, one of which being our acquisition of the collections and recoveries operations within Tesco Bank's Customer Service division. This partnership will allow Tesco Bank to deliver an enhanced service to customers in financial difficulty by providing the necessary support and flexibility they will need in the future. Tesco Bank chose to partner with us because of our focus on customers, proven expertise, technology platform and the cultural alignment between us and Tesco Bank. The partnership is expected to result in over 200 of Tesco Bank's personnel transferring over to us on November 1, 2021. We have observed an increasing need for our services from banks such as Tesco Bank given the pressure on their operations as a result of the effects of the COVID-19 pandemic. See "*Industry—The debt collection and debt servicing market—Specialization and standardization.*" The increasing use of digital mediums, with portals for self-service by customers, increases in our customer satisfaction scores — we have seen an increase by 0.3 in our customer satisfaction scores, averaging 7.7 (out of 9) in 2020 — and embedded forbearance and vulnerable customer policies and processes have facilitated our growth and are a key factor in the industry awards that our platforms received in 2020.

Our market-leading platforms deliver significant levels of third party contract wins which are backed up by the recognition we have received through awards and customer satisfaction. Most notably, in 2020 we were awarded the Credit Strategy 'Best Outsourcing and Partnership' Initiative for Onboarding and Customer Engagement, in recognition of our work with Virgin Money. Additionally, in November 2020 we became four time finalists after being nominated at the Credit Strategy Collections and Customer Service Awards. In Portugal, in 2020, our business was recognized not only as a Top Employer but accredited as the Best Credit Portfolio Management Company (Global Banking and Finance Review), Best Asset Management Servicer (International Investor) and Best Practice Operator of the Year (ACQ5, Country Awards 2020).

Highly cash flow generative with conservative risk management and strong balance sheet.

We are a highly cash generative business, with strong Adjusted Free Cash Flow generation. For the year ended December 31, 2020 and the six-month period ended June 30, 2021, our Adjusted Free Cash Flow generation was £156.6 million and £90.7 million respectively. The build of our Adjusted Free Cash Flow is illustrated in the chart below.

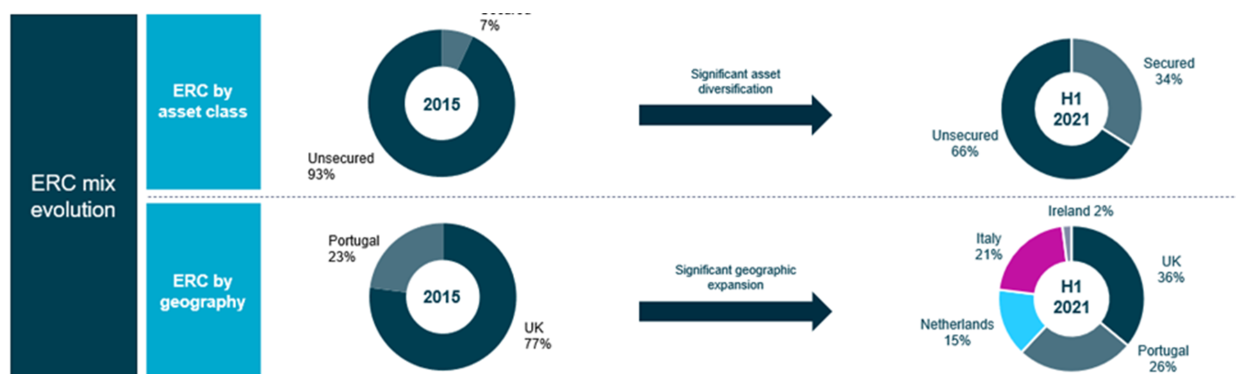


Source: Company information.

Furthermore, we retain flexibility on the level of our Adjusted Free Cash Flow that we re-invest in new portfolio acquisitions and, as such, are able to manage any peaks and troughs in liquidity requirements. This is evidenced by the fact that during 2020 the portfolio investments that we made amounted to £109.9 million, compared with £303.7 million during 2019, as we sought to conserve liquidity, given the impacts of the COVID-19 pandemic.

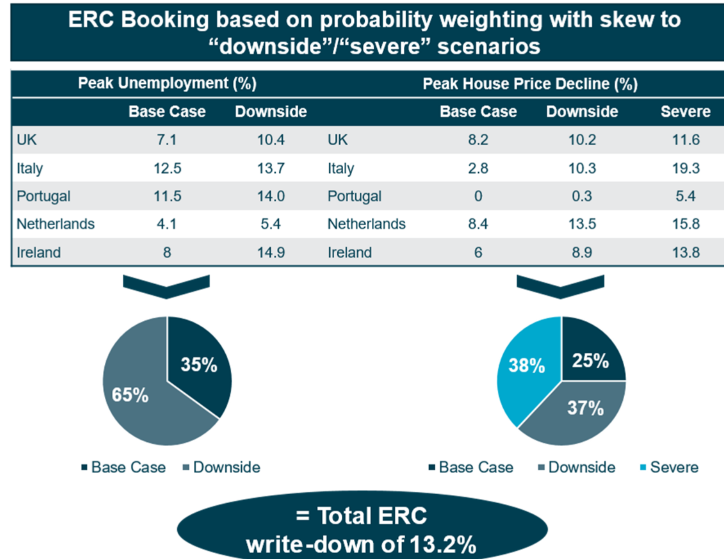
As we develop our capital-light businesses, we expect to reduce the level of re-investment in new portfolio acquisitions and, as such, we expect that a portion of our Adjusted Free Cash Flow generation will support Net Debt reduction and deleveraging. We are targeting £500 million Adjusted Free Cash Flow generation, after investment in new portfolios acquisitions for the period 2021–2025, which target we are not guaranteed to meet within the planned time frame or at all. See "*Forward-Looking Statements*" and "*Risk Factors—Risks Relating to the Transactions—This Offering Memorandum includes forward-looking statements, certain targets and assumptions in forecasts that involve risks and uncertainties.*"

As exhibited in the chart below, our balance sheet has both geographical and asset class diversification. As of June 30, 2021, our 84 month ERC in the jurisdictions in which we operate were as follows: 36% in the UK, 26% in Portugal, 21% in Italy, 15% in the Netherlands and 2% in Ireland and, as of the same date, 66% was unsecured and 34% secured. This diversification, together with the limited deal size of any single portfolio investment, minimizes our risk profile.



Source: Company information.

Furthermore, as a result of the adverse economic effects of the COVID-19 pandemic, our conservative non-cash write down of 13.2% to our ERC as of June 30, 2020, reflected the significant uncertainty at that time arising from the COVID-19 pandemic and is reflective of our cautious approach. Details of the ERC write-down are shown in the graphic below.

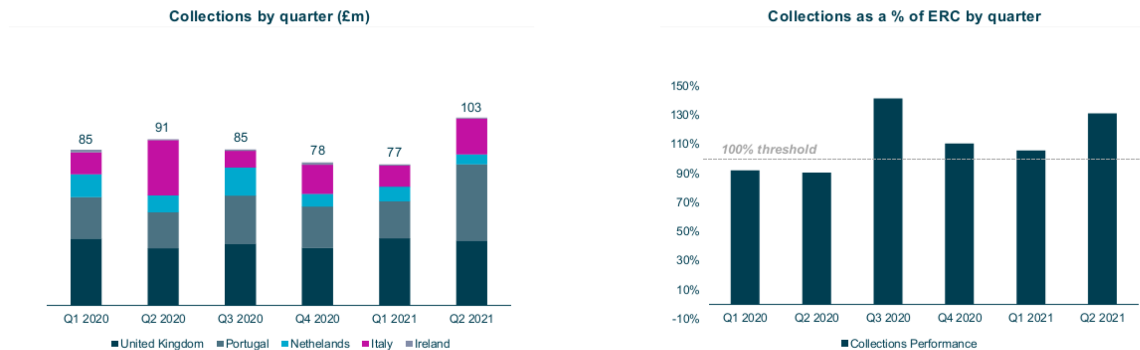


ERC Booking based on probability weighting with skew to "downside"/"severe" scenarios

Peak Unemployment (%)			Peak House Price Decline (%)			
	Base Case	Downside		Base Case	Downside	Severe
UK	7.1	10.4	UK	8.2	10.2	11.6
Italy	12.5	13.7	Italy	2.8	10.3	19.3
Portugal	11.5	14.0	Portugal	0	0.3	5.4
Netherlands	4.1	5.4	Netherlands	8.4	13.5	15.8
Ireland	8	14.9	Ireland	6	8.9	13.8

Source: Company information.

However, as illustrated in the charts below, we are performing well against our ERC. This creates a significant value upside - on the basis of an 84-month ERC of £1.6 billion, a 5% over-performance in actual collections equates to an approximate upside of £50 million after discounting. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Results of Operations—Portfolio investments*." During the third quarter of 2020, fourth quarter of 2020, first quarter of 2021 and second quarter of 2021, our Cash Collections compared to our ERC were 141%, 111%, 106% and 131%, respectively.



Source: Company information.

Current strategic plan enhanced by TDR Capital ownership.

Our management team has a deep wealth of experience and talent. Their track-record of proven success places us in a position to expand upon our robust market position. The full support of our incumbent senior management and their strategic targets, increased capital-light earnings and reduced capital intensity, all increase our prospects of growth whilst also reducing leverage under the new ownership of TDR Capital. Our goal of reducing leverage will be bolstered by TDR

Capital’s commitment to reduce leverage (with a target of leverage being approximately 3.0 - 3.5 times by 2023) without compromising our existing risk appetite.

TDR Capital is a leading specialist buyout firm with total FUM of approximately €10 billion as of December 31, 2020 and is based in the UK. It was founded in 2002 by Manjit Dale and Stephen Robertson, who were previously partners at DB Capital Partners. For further details, see “*Principal Shareholders*.” TDR Capital has an experienced team of investment professionals and operating partners and a longstanding historical focus on financial services and business services, as evidenced by its March 2016 investment in LeasePlan, the world’s leading fleet management and driver mobility company. TDR Capital has a low-volume investment strategy (one to two investments per year) based on principles developed by the investment team over the past decade. TDR Capital seeks to spend significant resources on each investment and to focus on operational excellence through a tested and integrated operating partner model.

TDR Capital will provide operational best practices and fund management expertise accrued through almost 20 years of pan-European investing and understand the structures and culture required to enable our integrated asset manager model to thrive. TDR Capital has a strong track record in the financial services industry, including specialty finance, leasing and insurance. For example, TDR Capital helped oversee the growth of Lowell Group, a debt purchaser of unsecured debt, as its owner from 2011 until 2015, and developed an in-depth understanding of the value drivers and regulation relevant to the industry. TDR Capital has continued to actively monitor the credit management industry and has closely followed our journey in public markets to date, and believes that our team has successfully created a high quality, internationally diverse, vertically integrated asset manager and fully supports management’s clear ambition to further develop our capital-light based strategy.

We believe that access to their deep and trusted LP relationships and capital under TDR Capital ownership will provide the flexibility required to expedite the development of our Fund and Investment Management business and be instrumental in accelerating our further transition to our capital-light model and deleveraging.

Our Vision and Strategy

Our vision is to be an innovative and valued partner in credit and asset management with the purpose of building better financial futures for our customers. Our people as well as our structure, culture and values are aligned with the delivery of our strategic objectives.

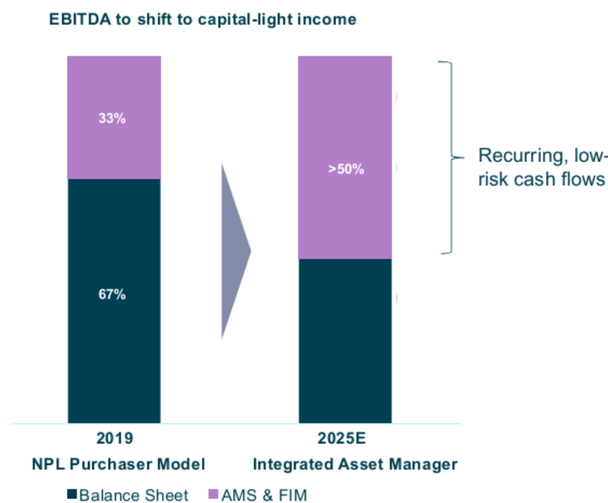
We have six key strategic objectives to support the delivery of our vision and purpose:

Build a scalable and sustainable fund management platform with a diverse spread of global investors.

The development in 2019 and 2020 of our Fund Manager has been central to the success in raising the Fund and critical to our transition to becoming an integrated asset manager with a capital-light business model. We believe our proposition to LP investors is both unique and compelling, given our track record over the last 15 years, our ability to target high-return niches in off-market trades, our use of local knowledge and experience of our local in-country teams to drive performance and the strong underwriting discipline. We intend to further develop our Fund

and Investment Management business, through raising subsequent funds at a larger scale and growing the number and diversity of LP investors, to put us in the best position to achieve our target of growing FUM to approximately €10 billion (over £8.4 billion) by the end of 2025, from our FUM of €4.8 billion (representing approximately £4.1 billion) as at June 30, 2021. We expect to commence the fund raising for our second fund, ACO 2, when the capital deployed, after recycling collections, within the Fund is approximately 70% of the total capital commitments (provided that the deployment rate remains consistent with historical rates of deployment). See "*Forward-Looking Statements*" and "*Risk Factors—Risks Relating to the Transactions—This Offering Memorandum includes forward-looking statements, certain targets and assumptions in forecasts that involve risks and uncertainties.*"

The increase in both our Fund and Investment Management and Asset Management and Servicing businesses are central to our strategy of growing more stable capital-light earnings with a target 50% EBITDA coming from such businesses by the end of 2025. In turn, we believe this transition will be instrumental to achieving our goals of de-leveraging and reducing our Net Debt. The chart below shows the targeted shift in our EBITDA from our move from an NPL purchaser model to our capital-light integrated asset manager model. However, there can be no assurance that we will achieve such target within the targeted time frames or at all. See "*Forward-Looking Statements*" and "*Risk Factors—Risks Relating to the Transactions—This Offering Memorandum includes forward-looking statements, certain targets and assumptions in forecasts that involve risks and uncertainties.*"



Source: Company information.

Prioritize investments in high-value, granular niche products in our core markets whilst creating opportunities for platform servicing revenue.

We intend to continue to deploy capital in a manner similar to the investments that have given rise to our track record. Over the last 15 years, we have developed a leading data analytics capability with over 1,000 deals underwritten, over 10 million customer accounts created over 10,000 of underlying properties across multiple geographies. This has helped us develop an expertise in forecasting cash flows that has consistently driven superior pricing and low volatility

and delivered our strong track record. Our local operating teams have relevant experience and expertise in both the local markets and asset classes in which we operate.

We continue to seek off-market investment opportunities, utilizing our strong origination capabilities, deep relationships and in-depth local knowledge. We believe targeting such opportunities maximizes the risk / reward through smaller transactions in more sophisticated granular asset classes and creates a competitive advantage. The continuation of this investment strategy, we believe, will benefit our Balance Sheet business and will continue to present a compelling investment case for potential LP investors, allowing further fund raising into subsequent funds, as well as creating asset management and servicing opportunities for our platforms.

Industry-leading asset management and servicing expertise which supports our investment ambitions, clients and customers.

We will continue to develop our asset management and servicing platforms, through our technology and our people, to deliver high quality service to our clients, fair outcomes to our customers and strong collections performance.

We undertake a broad range of services, including secured and unsecured collection activity, real estate asset realization and litigation and court process management, master servicing activities, such as legal title holding, securitization vehicle management activities and other activities such as due diligence, on-boarding and new origination. We also provide debt collection and servicing to many of the large institutional global and European debt funds. Our combination of market-leading positions, niche dominant platforms and competitive specialist servicing and investment platforms across five markets position us as a local operator with expertise in real estate, mortgage, SME and consumer NPL servicing.

We continue to invest in our IT infrastructure to ensure that it meets our objectives of flexibility, control, resilience and cost effectiveness. The COVID-19 pandemic presented, in real time and on a scale and timescale that could not have been forecast, the opportunity to test our resilience to maintain service levels for our customers and our clients. Our continued development will support growth in our external and internal asset management and servicing activity and, with increased scale with the opportunities presented by the Fund and Investment Management business, our ability to drive operational leverage.

Create a simple, efficient and flexible organization by deploying agile practices, supported by strong leadership and a commitment to develop our people to reach their full potential.

Through our governance, organizational structure and technology, we seek to create an efficient organization that can adapt to change and remain agile to ensure that we can capitalize on market opportunities. Our leaders and personnel are the core of our organization and with flexible working structures, training and development, we aim to ensure that our people maximize their potential.

The establishment of the Fund Manager and our integrated fund manager model, which we believe is unique in the market, demonstrates the ability of our business to adapt and deliver change. The agility of the organization was fully demonstrated as the transition partly occurred

during the COVID-19 pandemic and the associated challenges that resulted from lockdowns and other restrictions.

Allocate capital dynamically to drive returns while effectively managing risk.

We operate across multi-asset classes and multiple geographies. As such, we seek to allocate capital, through our investments in portfolios, depending on the prevailing market and economic environment, in order to maximize the risk-adjusted returns within overall risk appetite and concentration limits.

Our capital deployment for both our Balance Sheet business and the Fund has been strong through 2021. However, given the uncertainty of the macroeconomic environment, we have remained cautious in our approach to pricing and underwriting investment opportunities. Deployment has focused more on off-market real estate and special situation investments with shorter weighted average life, rather than unsecured investments that tend to have a longer weighted average life. This approach to capital deployment allows us to achieve target returns whilst seeking to minimize the risk profile of our investments.

Environmental, Social and Governance ("ESG") focus driving better operational outcomes.

We remain fully committed to meeting our stakeholders' expectations of being a responsible corporate citizen and addressing key sustainability issues. Our focus on ESG is firmly embedded in our purpose and culture and we believe this focus will drive better operational outcomes. We recognize the importance of ESG for our stakeholders. The holders of the Notes, our shareholders and LP investors recognize the importance and value of investing in responsible businesses delivering sustainable returns. Our regulators require assurance over our policies, processes and practices and will act against firms that are non-compliant. Our customers expect to receive fair outcomes, whilst portfolio sellers and third-party asset management clients often require assurance that their customers will be handled responsibly and therefore, acting responsibly is increasingly becoming a competitive advantage. Also, our people want to work for a good corporate citizen.

The primary focus of the social leg of our ESG strategy is ensuring fair customer treatment, which was particularly relevant throughout the COVID-19 pandemic where forbearance and vulnerable customer policies were critical in our support of our customers. Furthermore, we significantly curtailed litigation during the COVID-19 pandemic, as we believe that acting responsibly delivers better long term returns for all our stakeholders. In particular, our customer satisfaction levels rose during 2020, throughout such a difficult period for many of our customers.

We expect to vertically re-align our governance by empowering our local champion platforms with local accountability under a fund manager framework. This framework will, we believe, deliver greater accountability and improve performance. Furthermore, we aim to maintain our commitment to diversity and inclusion among our people, in order to build a human-centric workplace and provide a positive work environment, supporting a diversity of working styles and appealing to a wider talent pool whilst retaining talented people who want autonomy and choice. In response to the COVID-19 pandemic, we demonstrated our support for our people to help keep them safe with 100% of our staff fully operational and working from home by the end of March

2020. Lastly, the environmental leg of our ESG strategy involves our focus on the evolution and development of our internal policies and due diligence standards, coupled with our ambition of net-zero carbon dioxide emissions. See "*—ESG*."

Our History and Development

Arrow Global Guernsey Holdings Limited ("**AGGHL**") was established on October 8, 2005, as the subsidiary of Arrow Global Financial Services ("**AGFS**"), a leading U.S. debt purchaser that was founded in 1961 as a debt collection agency ("**DCA**"). AGFS 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, AGFS was acquired by SLM Corporation (commonly known as Sallie Mae), a Fortune 500 financial services company, and in 2005, Zachary Lewy founded Arrow Global in the UK. In 2006, we 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 grew to become a leading debt purchaser in the UK, and 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.

In October 2013, we successfully completed an IPO, securing a Premium Listing on the 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 us via a shareholder loan. The listing process also involved the establishment of a new board of directors with diverse business experience, enabling us to enhance and strengthen our business going forward.

In November 2013, we were part of a consortium selected by the UK government following a competitive bidding process to purchase student loans owed by approximately a quarter of a million borrowers. Erudio Student Loans Limited took control of the portfolio of loans from the Student Loans Company Limited, and we made an initial investment of £11 million, with a commitment to make a further investment of £22 million.

Following the expansion of our debt purchasing activities into Portugal, we started to acquire asset management and servicing platforms. In November 2014, we acquired Capquest Group Limited ("**Capquest Group**"), an established participant in the UK debt purchase and outsourced collections market that owned and serviced portfolios in the financial services, retail, telecommunications and motor finance sectors. Capquest Group had over 26 years of experience in the debt collection industry, and operated in the UK with a primary focus on non-performing and semi-performing unsecured consumer loans. Capquest Group developed extensive debt purchasing capabilities and had grown to become one of the largest privately-owned purchasers of non-performing consumer debt in the UK (based on 120-Month ERC), partnering with a diverse client base and holding positions on numerous debt purchaser and DCA panels. The acquisition enabled us to service certain portfolios that we acquired in the UK. See "*—Our businesses—Asset Management and Servicing business*."

In April 2015, we acquired 33% of the shares of Silver Parallel S.A. (the parent company of Whitestar Asset Solutions, SA ("**Whitestar**"), a leading Portuguese servicer of secured and unsecured loans), from CarVal Investors for a total consideration of €49.8 million payable over two years, but we received full voting control and a 100% economic interest in Whitestar at that time. In April 2016, we acquired a further 42% of the shares of Whitestar, increasing our total shareholding to 75%. In April 2017, we acquired the remaining 25% of the shares of Whitestar for a purchase price of €10.6 million. As part of this transaction, we also entered into a strategic partnership with CarVal Investors to jointly originate Portuguese investments and provided a formal five-year servicing commitment for CarVal Investors' Portuguese originated Portfolio Assets to be serviced by Whitestar. Additionally, we acquired Gesphone, a Portuguese servicer of non-performing loans and owner of €77.2 million face value worth of portfolios, for a consideration of €8.1 million. The acquisition was in line with our strategic goal of developing origination and servicing capabilities outside of the UK. See "*—Our businesses—Asset Management and Servicing business*."

With our previous acquisitions building up our asset management and servicing capabilities within the UK and Portugal, we expanded geographically with an acquisition in the Netherlands. In May 2016, we acquired InVesting B.V. ("**Vesting Group**"). This acquisition added approximately 502,000 customer accounts with a face value of €663 million as of December 31, 2015 and contributed to the diversification of the income streams of our business and our origination capabilities. Vesting Group is a traditional DCA and pension service provider with long duration customer relationships. Vesting Group also provides customer information to minimize credit and payment risks for businesses. See "*—Our businesses—Asset Management and Servicing business*."

In line with our geographical expansion strategy, in April 2017 we acquired the Zenith Service S.p.A. ("**Zenith**") in Italy. Zenith is a servicing business focused on the Italian structured finance market and continues to contribute to the diversification of the income streams of our business and our origination capabilities. See "*—Our businesses—Asset Management and Servicing business*."

In November 2017, we acquired Mars Capital Finance Limited and Mars Capital Finance Ireland (together, "**Mars Capital**"), a mortgage servicing business with operations in the UK and Ireland. Mars Capital provides servicing for mortgages covering first and second lien residential, buy-to-let and SME commercial mortgages, and provides full loan lifecycle servicing, from loan origination support to late stage recoveries and real estate sales, with particular focus on managing distressed mortgages. Mars Capital has securitization origination, issuing and servicing expertise, is rated as a primary and special servicer in the UK by Fitch Ratings, and is regulated by the FCA. Mars Capital Ireland is regulated in Ireland by the CBI as a credit servicing firm under Part V of the CBA 1997 (as amended by the Irish CSA) and has acted as a credit servicer in respect of more than €1 billion worth of Irish mortgage assets. See "*—Our businesses—Asset Management and Servicing business*."

On March 1, 2018, we acquired Parr Credit S.r.l ("**Parr**"), an Italian servicing business for unsecured performing and non-performing loans and customer relationship management for banks and telecommunications companies. Parr also owns 20% of the equity in Parr Sh.p.k, which acts as Parr's offshore servicing center in Tirana, Albania. In 2017, Parr generated revenues of €17.5

million (in Italian GAAP) and had approximately 200 employees. We paid a total consideration amount of €20 million for the acquisition of Parr, €15 million of which was paid upon completion. See "*—Our businesses—Asset Management and Servicing business*."

In March 2018, we acquired Europa Investimenti, a leading originator and manager of Italian distressed debt investments. Europa Investimenti invests in Italian companies through the Italian court-administered administration and bankruptcy process, acquiring both assets and NPLs related to distressed companies. From its inception in 2008 to 2017, it had completed 63 transactions. As of June 30, 2017, Europa Investimenti had gross assets of €63.2 million, with revenues of €23.6 million and €9.8 million profit before tax for the twelve months ended June 30, 2017.

On July 26, 2018, we acquired 100% ownership of Norfin, a leading manager of real estate investments in Portugal. This acquisition strengthened our asset management and investment capabilities, is highly complementary to our existing Whitestar platform, and allows us to offer a comprehensive set of servicing solutions to investors in Portugal.

On April 8, 2019, we acquired 100% ownership of Drydens Limited, operating as Drydensfairfax Solicitors ("**Drydensfairfax**"), a provider of legal services. This acquisition broadened our UK range of servicing capabilities and skills across consumer and commercial litigation, probate and insolvency. The total undiscounted consideration for the acquisition was £11.1 million, including deferred and contingent consideration. See "*—Our businesses—Asset Management and Servicing business*."

Following our expansion from a UK unsecured debt purchaser to a multi-asset class and multi-geographical debt purchaser and servicer with small fund management operations, we had the necessary capabilities to build fund management infrastructure. In December 2019, we launched our first discretionary closed-end fund, a pan-European non-performing loan fund, with €836.8 million in total commitments, including €628.5 million subscribed by third-party LP investors. In November 2020, we announced final close of the fundraising for the Fund, with total capital commitments of €1.7 billion, including our investment. We expect that the Fund will invest in selective European credit opportunities sourced through our Fund and Investment Management business, leveraging the Group's entire pan-European expertise to offer investors attractive access to specialist and high-return asset classes. We will earn management fees through the Fund Manager. The capital commitment comprises multiple investment vehicles, including a fund and a co-investment program. See "*—Our businesses—Fund and Investment Management business*."

On March 31, 2021, we announced the Board's agreement to the terms and conditions of a recommended all cash offer of 307.5 pence for each ordinary share of AGG by Bidco, a newly formed company owned by certain of the investment funds managed by TDR Capital. The price per ordinary share represented a premium of approximately 33.4% to the closing price of 230.5 pence per ordinary share on February 5, 2021 (being the last Business Day before the commencement of the offer period) and 46.6% to the volume-weighted average price of 209.7 pence per ordinary share for the one-month period ended February 5, 2021 (being the last Business Day before the commencement of the offer period). Following shareholder approval on May 21, 2021, with 93.79% of our shareholders voting in favor of the transaction, receipt of the final antitrust and regulatory clearances on September 29, 2021 and the High Court sanctioning the

Scheme at the sanction hearing held on October 7, 2021, the Acquisition closed on October 11, 2021.

Our businesses

We are a leading integrated fund manager with three business units, being Fund and Investment Management, Asset Management and Servicing and Balance Sheet, each providing synergistic benefits to one another. We refer to our Fund and Investment Management and Asset Management and Servicing businesses as our capital-light businesses, given the limited level of capital required to operate those businesses. We believe that this capital-light model is unique (our competitors employ a more capital-intensive model) and yields a number of benefits, including the following:

1. We typically co-invest capital alongside third-party capital managed by the Fund and Investment Management business at a ratio of 25:75 (i.e., we co-invest 25% while the Fund invests 75%), with approximately 71% of portfolios managed and serviced by an Arrow platform within our Asset Management and Servicing business. The capital-light revenues generated from fund and performance management fees, as well as the portfolio asset management and servicing fees, result in an indicative return on capital invested of approximately 25%. For a similar investment, the indicative return for a balance sheet investor with no servicing capability would be 18%. We aim to reduce the ratio of our co-investment in future funds managed by the Fund Manager to a target ratio of 10:90. This would further boost the indicative return on capital from 25% to approximately 40%. See "—*Our Key Strengths—Integrated asset manager is a unique model not replicated by other market participants*;"

2. The model is fundamental to our target of generating at least 50% of EBITDA from our capital-light businesses in the medium term, enabling us to de-lever and reduce the level of gross and Net Debt on our balance sheet and grow earnings without increasing the level of our debt and/or our balance sheet; and

3. We are able to grow and develop asset management and servicing revenues, enrich the levels of customer data and build origination capabilities utilizing third-party capital. The development of this intellectual property further enhances our growth potential.

An overview of each business unit is detailed below:

Fund and Investment Management business

This business comprises the fund and investment manager, the Fund Manager, responsible for managing the Fund, alongside our existing businesses Norfin, Europa Investimenti and Sagitta.

The development in 2019 and 2020 of the Fund Manager has been central to the success in raising the Fund, with total capital commitments of €1.7 billion, including our investment. Despite clear market and operational challenges caused by the COVID-19 pandemic, we received strong support from some of the largest and most sophisticated global investors from diverse sectors and geographies, including the UK, Benelux, the Nordics, Italy, Germany, Switzerland, the East Coast of the U.S., the West Coast of the U.S., Canada, Australia and Asia. See "—*Our Key Strengths—*

Differentiated origination capability supported by local platforms." With a final close of €1.7 billion in November 2020, the Fund received commitments from a broad range of investors, including pension funds, insurance companies, sovereign wealth funds, university endowments and family offices with an average commitment of approximately €80 million. We expect that the Fund will invest in selective European credit opportunities, leveraging the Group's entire pan-European expertise to offer investors attractive access to specialist and high-return asset classes. LP investors in the Fund pay the Fund Manager fees predominantly based on drawn capital with a small amount paid on committed capital. In addition, LP investors incentivize the Fund Manager through performance fees. We participate in this performance fee regime with a 30% to 40% share, which represents an important and potentially material income stream to the Fund and Investment Management business. In addition to the management and performance fees that we collect, we charge investors "designated charges," which enables attributable costs to be re-charged to the Fund and future funds.

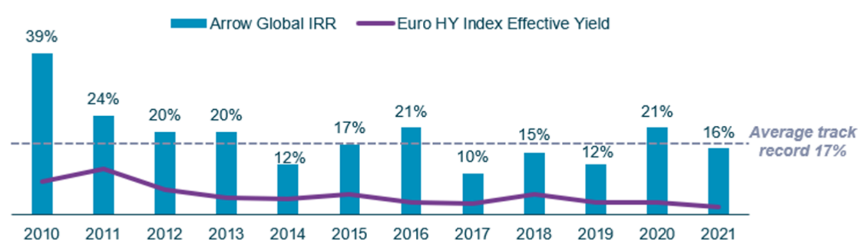
The development of the Fund Manager and the fundraising of the Fund have enabled the full transition to our capital-light integrated asset manager model. The Fund represented the largest first time fundraise in private debt globally in 2020, the third largest credit fundraise in special situations globally in 2020 and the fourth largest private credit fundraise in Europe. Set out below are the fundamental reasons that we believe resulted in the success of our fundraising from LP investors:

1. *Our people*

Our Fund and Investment Management business has an experienced team of professionals with a demonstrable track record of investing in these asset classes across the geographies in which we operate. This team collectively represents over 50 years and in excess of 1,000 deals of credit investment experience and portfolio management experience in transactions of the type that are within the Fund's investment program. The team is led by Zachary Lewy, our co-founder who has over 15 years of industry experience and who is Principal and CEO of the Fund and Investment Management business.

2. *Our track record*

We, and our investment team in particular, have a demonstrable track record of investing across the NPL and non-core asset classes within the geographies in which we operate and have achieved both strong and stable returns over a significant period of time. The chart below shows the IRR returns we have generated from our portfolio investments since 2010 as compared with the returns from the euro high yield bond market:



Source: Company information.

3. Our local presence to deliver a differentiated investment strategy

We believe that our servicing platforms are well-placed to maintain their leading position in the industry, and our Fund and Investment Management business benefits from the unique capabilities of these platforms to stand at the center of opportunity flows for the most attractive segments of European credit investing in the non-core and NPL segments. This unique position has been established as a result of the work, reputation and experience of our professional teams, both with respect to the deployment of capital into such opportunities and also defining, maximizing and operationalizing collections strategies tailored to portfolios. The reliance that many pre-eminent credit investor groups place on platforms such as ours for purposes of portfolio-level advice, collections and other services, and the relationship-based nature of the EU credit markets, are indicative that our platforms are well-positioned to retain this advantageous position within the market.

The European debt purchase and servicing market has a number of key attributes, such as the importance of trusted relationships and the value of scale and dependence on data excellence, each of which is required to be successful in the long term. We have a proven track record of strong and trusted relationships with debt sellers, which is critical to our being invited to participate in portfolio sale processes on an ongoing basis, including negotiated transactions where the terms are agreed on a bilateral basis outside of an auction process.

We demonstrated our origination capabilities at the time of fundraising for the Fund as 78% of the transactions executed in 2018 were acquired through bilateral off-market investment opportunities and over 75% were from repeat transaction sources. This reputation and compliance track record are critical factors for debt sellers, who tend to only work with trusted partners who meet both of these stringent requirements and have exhibited the ability to execute transactions in a timely manner. We believe there has been a trend among some large debt sellers towards consolidation around a few trusted leading debt purchasers with the attributes of scale and a commitment to compliance. This has led to a general reduction in the size of debt sellers' panels as debt sellers favor stronger, longer-lasting relationships with fewer participants. In addition, we have built strong working relationships with credit funds, which have become a key part of our origination strategy.

In view of the important roles played by the various components of our platform in attracting and retaining clients, pricing deals with precision, and developing tailored collections strategies for a wide range of different types of portfolios, we believe that the dynamics of market leadership in European debt markets have changed. In the past, experience in collections, together with capital participation alongside investors, formed the basis of a good foundation for a central role in European NPL and non-core asset markets. Those attributes alone, however, are no longer sufficient for pre-eminence in sourcing and servicing in the most attractive aspects of NPL and non-core asset markets. We believe that incumbency advantage and recognition, borne out of a consistent market presence, is often increasingly important.

In addition, deep data analytical capacities and compliance and regulatory expertise are increasingly critical to defining the most successful strategies for sourcing, pricing, collection and exit in NPL and non-core asset markets. In particular, we believe that our deep, country-specific

understanding of the regulatory environments in the markets of our platforms and our status within those markets are critical features of our success. For example, in some of the geographies in which we operate, in addition to the FCA and other regulatory bodies' standards, debt purchasers must also meet the compliance standards of individual debt sellers (as well as satisfy rating agency and securitization market norms) to be considered in debt sale processes. In some of the geographies in which we operate, debt purchasers are generally required to obtain a license before being able to acquire debt. In order to enhance the stature and functionality of our platform, since 2014, we have acquired leading servicing and investment platforms holding a range of relevant prerequisite authorizations that enable the platform to successfully source, underwrite and service loan portfolios.

4. Experience in Capital Partnering

Historically, we have been able to offer market participants not only servicing functions but also act as a capital participant alongside investors who are our clients. For example, in larger portfolio transactions initiated by debt sellers, we have routinely acted as a capital investor alongside credit fund purchasers of portfolios and, in such cases, have regularly taken a minority capital stake alongside such credit funds to align interests in transactions involving our platform for servicing and collections on the underlying loans. Subsequently, as the portfolio is duly collected, it is often the case that we become the natural buyer of the remaining portfolio "tail" or "stub" piece when the credit fund in question seeks an exit or finds it uneconomic to continue overseeing the remaining, relatively small portfolio. At various points in time, we have partnered with leading third-party private equity investors who have invested €3.4 billion of capital alongside us from 2014 through 2018.

5. A Focus on Data Analyses

The deep portfolio expertise that attracts debt investors to our platforms is rooted in the knowledge and information management capacities of the platforms that support the collection, organizing and retention of high-quality data on portfolios in connection with investment and collections activity. In particular, data excellence through our platform's use of high-quality data and analytical models is critical to pricing portfolio purchasing in a precise manner, improving collection performance and operating the collections and borrower interface functions in keeping with applicable compliance standards.

Our other businesses within Fund and Investment Management are Europa Investimenti, Sagitta and Norfin. Europa Investimenti, acquired in 2018, is a leading operator in distressed and special situation investments in the Italian market. Europa Investimenti specializes in debt opportunities relating to small and medium-sized enterprise and real estate assets. Europa Investimenti is the 95.64% owner of Sagitta SGR, S.p.A., a fund manager regulated by the Bank of Italy. Norfin, acquired in 2018, is a prominent real estate fund manager that has been operating for 22 years in Portugal and manages approximately €1.6 billion in both regulated and non-regulated assets. Its activity intersects the entire spectrum of the Portuguese real estate market as it manages direct real estate investments with different risk profiles (i.e., the management of portfolios that include offices, residential units, logistics, retail and tourism operations facilities, in addition to project development ranging from the acquisition phase up to the design, construction and commercialization phase).

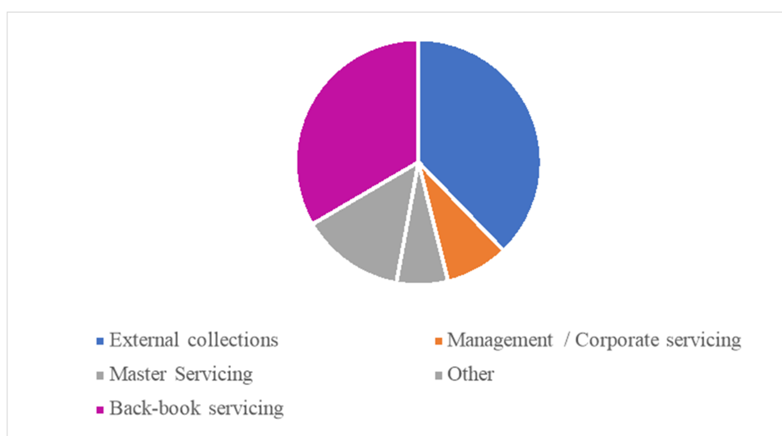
In addition, the Balance Sheet business pays an intra-segmental charge to the Fund and Investment Management business for portfolio management services relating to the assets held on our back-book assets at a rate of 150bps on net asset value and for Arrow SMA, based on a rate of 175bps during 2020 and 150bps from January 1, 2021 on drawn capital during the investment period. The total blended fee rate for Fund and Investment Management during 2020 was 0.9% of funds under management.

The Fund and Investment Management business had a total FUM of €4.8 billion as of June 30, 2021 (€4.3 billion as of December 31, 2020), and we aim to raise a new "flagship" fund approximately every two years. Our target is to grow our FUM to over €10.0 billion by the end of 2025 with a goal of achieving 40% EBITDA Margin. See "*Forward-Looking Statements*" and "*Risk Factors—Risks Relating to the Transactions—This Offering Memorandum includes forward-looking statements, certain targets and assumptions in forecasts that involve risks and uncertainties.*" To ensure that we are able to achieve the required scalability, several critical hires have joined the business in line with our plans to strengthening our team. Organizational design and process improvements have been established with governance, leadership and clarity of responsibility formalized along with progress in management oversight. Furthermore, during the first half of 2021, we continued to deliver process and operational improvements in line with our targets and this trend is expected to continue, further enhancing our Fund and Investment Management business. Ongoing focus on enhancing risk management practices into the Fund and embedding daily risk management and other operations also continued in 2021. For example, we have recently formed the Clients and Capital Formation Group within the Fund and Investment Management business and recruited Mr. Kamran Anwar to lead this team. Mr. Anwar brings a wealth of experience in financial services, having spent 23 years at Citigroup in leadership roles across the Middle East, Europe and Asia, covering M&A, transaction banking, private equity, real estate and corporate strategy. Most recently, Mr. Anwar spent five years in the technology industry, where he worked with SS&C Technologies leading their private equity services franchise in Europe, the Middle East and Africa. The Clients and Capital Formation Group will partner with our clients to provide differentiated investment solutions and world-class insights from our core areas of expertise in European non-performing and non-core debt. We will seek to broaden the LP set by enabling global capital pools to access the opportunities presented by the European NPL market through our Fund Manager. Furthermore, we expect that the acquisition of our business by TDR Capital will further enhance our access to LP investors. TDR Capital will provide operational best practices and fund management expertise accrued through almost 20 years of pan-European investing experience and its understanding of the structures and culture required to enable the fund management model to thrive. See "*—Our Key Strengths—Current strategic plan enhanced by TDR Capital ownership*."

Asset Management and Servicing business.

An important element of our success in building and growing our Fund and Investment Management business and our Balance Sheet business is having access to the leading Asset Management and Servicing platforms. These platforms service and manage debt collection and other activities related to portfolio investments and enable us to service multiple asset classes across multiple geographies. The development of strategies that maximize collections performance, whilst simultaneously enhancing operational efficiency and maintaining adherence to regulations, is key to the platform's performance.

Our Asset Management and Servicing business performs a broad range of services, including secured and unsecured collection activity, real estate asset realization, legal title holding, due diligence activities, initial platform migration and on-boarding activities, master servicing, securitization vehicle set-up and ongoing management activities, new origination activities, litigation and court process management and third-party sub-servicer management. Our Asset Management and Servicing platforms are well-equipped for growth and generated revenues of £125.4 million during the year 2020. Furthermore, an analysis of the fees generated during the year 2020 from the various aforementioned activities is shown in the chart below:



The following graphic summarizes the services provided by our platforms across different asset classes and geographies:

Consumer	capquest	N/A	WHITESTAR ASSET SOLUTIONS	VESTING FINANCE	PARR CREDIT GESTIONE CREDITI
SME	Mars CAPITAL drydenstairfox	Mars CAPITAL	WHITESTAR ASSET SOLUTIONS	VESTING FINANCE	EUROPA INVESTIMENTI
Mortgage	Mars CAPITAL	Mars CAPITAL	WHITESTAR ASSET SOLUTIONS	VESTING FINANCE	N/A
Real Estate	Mars CAPITAL BERGEN	Mars CAPITAL	Norfin	N/A	EUROPA INVESTIMENTI
Master Servicer	Mars CAPITAL	Mars CAPITAL	HEFESTOSTC	FOCUM	ZENITH

Source: Company information.

As of December 31, 2020, our AUM was approximately £65 billion, apportioned in the jurisdictions in which we operate as follows: UK and Ireland (three platforms with approximately

£15 billion AUM), the Netherlands (three platforms with approximately £5 billion AUM), Italy (three platforms with approximately £35 billion AUM) and Portugal (two platforms with approximately £10 billion AUM). Further details of our platforms that have grown organically, as well as through acquisition, are as follows:

United Kingdom and Ireland

Mars Capital: Mars Capital Finance Limited and Mars Capital Finance Ireland, respectively a UK credit servicing company and an Irish-registered company, specialize in servicing solutions for residential buy-to-let and small- and medium-sized enterprise commercial mortgages. Mars Capital operates in the UK and Ireland and each entity is a wholly-owned subsidiary of AGG, which acquired Mars Capital in 2017.

Capquest Group: Capquest Group is a leading credit servicing company operating in the UK. Capquest Group specializes in consumer assets and is a wholly-owned subsidiary of AGG, which acquired Capquest Group in 2014.

Bergen: Bergen Capital Management Limited ("**Bergen**") is a prominent UK commercial real estate ("**CRE**") loan servicer that is active as a sourcing channel for loan investment opportunities. Bergen is a wholly-owned subsidiary of AGG, which acquired Bergen in 2018.

Drydensfairfax: Drydensfairfax is one of the largest UK law firms focused on the recovery of debt and is a wholly-owned subsidiary of AGG, which acquired Drydensfairfax in 2019. Drydensfairfax operates under the auspices of applicable professional independence requirements in providing leading debt recovery services.

Italy

Parr: Parr is a market-leading credit servicing company operating in Italy. Parr specializes in consumer and mortgage assets and is a wholly-owned subsidiary of AGG, which acquired Parr in 2018. In 2019, Parr changed its name to "Whitestar S.r.l." and is currently trading as Whitestar Asset Solutions.

Zenith: Zenith is a prominent credit servicing company operating in Italy. Zenith specializes in master servicing and securitization services and is a wholly-owned subsidiary of AGG, which acquired Zenith in 2017.

Portugal

Whitestar: Whitestar is an established credit servicing company operating in Portugal. Whitestar specializes in consumer, small- and medium-sized enterprise and real estate assets and manages Hefesto STC, SA, a regulated securitization vehicle. Whitestar and Hefesto STC, SA are wholly-owned subsidiaries of AGG. Whitestar was acquired by AGG in 2015 and Hefesto STC, SA was acquired by AGG in 2017. In addition to Whitestar and Hefesto STC, SA, AGG acquired local servicer Gesphone - Serviços De Tratamento E Aquisição De Dívidas, S.A ("**Gesphone**") on April 1, 2015, and Effico (Effico – Gestão de Clientes e Recuperação de Activos, S.A.) on April 29, 2013, both of which have since been consolidated into Whitestar. On July 15, 2013, AGG

acquired the assets of GE Money Servicing Ltd and transferred the platform and its staff to Whitestar.

The Netherlands

Vesting Group: Vesting Group is an established credit servicing company operating in the Netherlands. Vesting Group specializes in consumer assets and credit bureau services and is a wholly-owned subsidiary of AGG, which acquired Vesting in 2016.

Through the abovementioned platforms, we have access to an expansive historical data set across approximately 10 million accounts belonging to borrowers across the geographies in which we operate. The revenue of our Asset Management and Servicing business was £64.2 million for the six months ended June 30, 2021. Revenues for this business were £125.4 million for the year ended December 31, 2020 against £128.8 million for the year ended December 31, 2019, demonstrating the resilience of this capital-light income stream through a significant economic downturn. Throughout 2020, we secured a record 26 new contract wins. In the six months ended June 30, 2021, we secured 11 new contracts. On August 17, 2021, we announced plans to acquire the collections and recoveries operations within Tesco Bank's Customer Service division. This partnership will allow Tesco Bank to deliver an enhanced service to customers in financial difficulty by providing the necessary support and flexibility they will need in the future, with Tesco Bank choosing to partner with us, given our customer focus, proven expertise, technology platform and the cultural alignment between us and Tesco Bank. The partnership is expected to result in our taking on over 200 Tesco Bank personnel on November 1, 2021. We believe that we are well placed to win further new third-party contracts as a servicing partner for financial institutions that require additional collections capacity given the growing non-performing loan volumes resulting from the economic effects of the COVID-19 pandemic.

There are also significant opportunities for the Asset Management and Servicing business created by the Fund. It is estimated that approximately 65% of the Fund's purchases will be serviced on our platforms and the Fund will pay the Asset Management and Servicing business market referenced fees for such servicing. Furthermore, profitability for the business is expected to steadily increase as we continue to develop our operational efficiency. We aspire to a target Asset Management and Servicing EBITDA Margin of 25% by 2025 from EBITDA Margins of 12.4% and 17.9% for the years ended December 31, 2020 and 2019, respectively. There can be no assurance that we will achieve such targets within the targeted time frames or at all. See "*Forward–Looking Statements*" and "*Risk Factors—Risks Relating to the Transactions—This Offering Memorandum includes forward-looking statements, certain targets and assumptions in forecasts that involve risks and uncertainties.*"

Balance Sheet business.

The Balance Sheet business comprises the investment portfolios purchased utilizing our own capital, including co-investments via Arrow SMA and those made directly by us, predominantly comprising the back-book. Prior to the deployment of the Fund in 2020, we invested our own capital, sometimes co-investing with partners, to generate returns. Since the deployment of the Fund, we have typically co-invested 25% alongside the Fund's 75% investment, although the level of co-investment by the Balance Sheet business may reduce for future successor

funds. Please see "*Business—Our Key Strategies—Highly cash flow generative with conservative risk management and strong balance sheet.*" for a high-level overview of our 84-Month ERC by asset type and geography as of June 30, 2021.

As a result of the COVID-19 pandemic, Cash Collections were impacted, particularly in the second quarter of 2020, predominantly due to court closures, real estate market closures, various moratoriums on certain legal and enforcement activities and temporary interruptions to customers' earnings across all of our core markets. We took a conservative view about the wider economic effects of the COVID-19 pandemic and, as a result, revalued the ERC balance sheet asset at the half-year mark of 2020, resulting in a non-cash impairment of portfolio investments of £133.6 million. Cash Collections have performed strongly against these revised estimates, collecting 125% of reforecast ERC in the second half of 2020 and by 119% in the first half of 2021. We remain cautious (investing in portfolios with typically a shorter weighted average life, more granular assets and secured portfolios) and we anticipate that there is a reasonable possibility of a deterioration in the economic outlook in late 2021 and beyond, as government financial aid provided throughout the pandemic begins to recede and the various moratoria are lifted. As such, there has been no material write-down of the ERC in 2021 and as of June 30, 2021, the non-cash write-up of the ERC was £17.7 million.

In addition, we proactively managed cash as a result of the COVID-19 pandemic and took decisive action to reduce capital deployment. We saw a slowdown in the market, predominantly driven by financial institutions taking a prudent approach to valuations and banks focusing on initial provisioning over asset sales in the first six months of 2020. Full-year portfolio purchases in 2020 were £109.9 million, compared with £303.7 million in 2019.

Since January 2020, our Balance Sheet business has typically co-invested 25% of the total portfolio investment alongside the Fund through a 100% owned Jersey partnership, Arrow SMA, with the expectation of approximately £200 million balance sheet purchases being invested by the Fund annually. We expect the co-investment percentage to reduce over time and for our balance sheet investments by future funds to amount to approximately £100 million per annum in the medium term. We hold investment committees in respect of all deals and have carve-outs to support policy requirements, thereby maintaining strong control over liquidity risk. The co-invest model requires lower balance sheet investment volumes than historic levels, likely leading to a faster de-leveraging profile and absolute Net Debt reduction. In addition, we anticipate that the co-invest structure with the Fund will simplify our accounting profile. As assets purchased through the fund co-invest structure increase, the proportion of income accounted for on a fair value basis through Arrow SMA will increase, and the share of portfolios accounted for on an amortized cost basis will decline. Furthermore, the ERC on our new co-investments alongside the Fund are calculated using collections net of asset management, servicing and collection fees that are incurred within fund special purpose vehicles. Historically, the ERC was calculated using gross collections.

Capital and balance sheet management

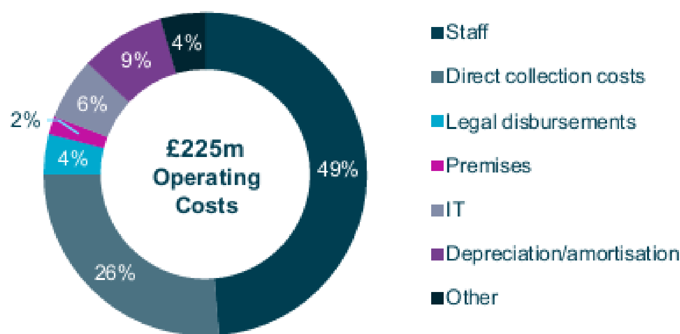
We have strict capital allocation processes with investments requiring Investment Committee approval. Investment levels are forecast as part of our budget process to ensure that leverage and liquidity expectations are in line with targets and appetite levels. As of June 30, 2021,

our Secured Net Debt position was £1,154 million (£1,181 million as of December 31, 2020) and leverage was 4.7 times (5.1 times as of December 31, 2020). Our Adjusted Free Cash Flow was £90.7 million for the six months ended June 30, 2021 (£156.6 million for the year ended December 31, 2020). Our increased focus on reducing capital intensity and growing earnings from our capital-light businesses are expected to yield significant levels of cash generation. Our target is to generate £500 million in cash after portfolio investments, during financial years 2021 to 2025 and we believe that this cash generation will enable deleveraging. We are targeting our leverage to reach 4.0 times (before incurring costs of approximately £85 million in connection with the Acquisition) by the end of 2021, and to be within our target range of approximately 3.0-3.5 times by 2023. These targets are indicative only and there can be no assurance that we will be able to achieve such targets within the planned time frame or at all. See "*Forward-Looking Statements*" and "*Risk Factors—Risks Relating to the Transactions—This Offering Memorandum includes forward-looking statements, certain targets and assumptions in forecasts that involve risks and uncertainties.*"

Cost Structure Development and Cost Saving Opportunities

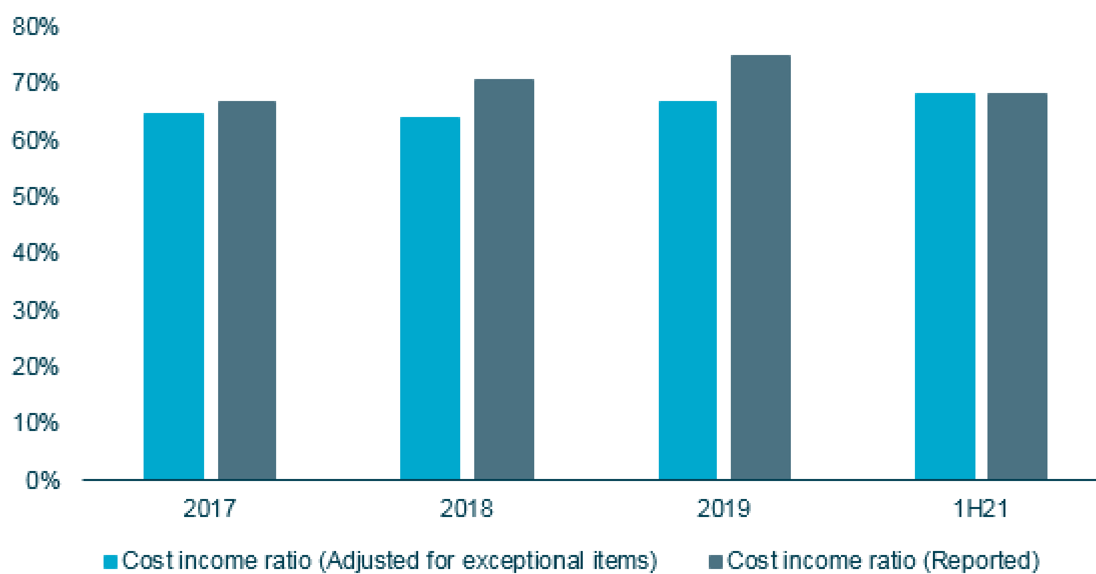
Cost Structure Development

For the year ended December 31, 2020, our total operating cost base amounted to approximately £225 million. 58% of this amount (i.e., £131 million) was attributable to our collection activity and our fund management costs, 10% (i.e., £23 million) was apportioned to the Group's operating expenses and 32% (i.e., £71 million) was spent on the expenses associated with the operation of our platforms. The graphic below details our annual cost base on a granular level.



Source: Company information.

As we have expanded into new markets and built our servicing capability, we have invested in centralized functions as part of the One Arrow program – an implementation plan that we set in place in order to obtain the horizontal alignment of our business across its different locations and jurisdictions. Since the Target's IPO in 2013, the Target's pre-exceptional cost income ratio has moved from being less than 50% to greater than 65%. The graphic below charts our cost to income ratio from 2017 onwards. The proforma represents the position after delivering £20 million of target cost savings as detailed below in "*—Cost Savings*."



Source: Company information.

Costs Savings

For the year ended December 31, 2020, our total operating cost base amounted to £225 million. Based on TDR Capital's and management's estimates (as well as the strategic review which we expect to undertake during the course of 2022), we are targeting annualized cost savings of £20 million, to be derived as detailed below.

1. The transition of the Target from a public company to a private company has brought about a number of significant changes to the Target Group, including the removal of the Target's public company board of directors together with a reduction of professional costs, the eradication of the former long term management incentive and share incentive schemes and the reduction in spending on investor relation activities, among others. We believe that we will see cost savings in the amount of approximately £6 million as a result of the privatization of the Target.

2. Going forward, we believe that there are areas of centralization to retain, but that certain other functions may be better and more efficiently delivered with local accountability. As such, we plan to vertically align our local platforms and the corresponding local investment strategies under a fund management framework, allowing us to maintain central origination and underwriting functions, supported by local expertise. In turn, this will lead to the empowerment of our local platforms and enhance the accountability of the business leaders of our local platforms. Our focus is on creating a cost-ownership culture which engenders accountability and delivers efficiencies without creating dual-layer costs. Our transition to operating under the vertically aligned model is expected to bring about cost savings of approximately £6 million.

3. As a result of the increased accountability, we expect further annualized cost savings of approximately £8 million, which are initially targeted to be delivered over the course of 2022. We expect the majority of these savings to be delivered through platform efficiencies, operational leverage and increased accountability. Furthermore, TDR Capital's experience with financial services and business services, together with its fund management expertise, will allow us to leverage TDR Capital's operational best practices and lead to greater accountability for the business leaders in our local operations. See *"—Our Key Strengths—Current strategic plan enhanced by TDR Capital ownership.*" Overall, we anticipate that the savings that could stem from the implementation of greater efficiency in our operations is approximately £8 million by the end of 2022.

An independent third-party advisor estimates total cost savings of between £17 and 32 million, with £9 to £20 million overhead cost reductions and £8 to £13 million in direct cost reductions. This compares with the management's target savings of £20 million as outlined above. The independent third-party advisor also estimates one-off costs ranging from £10 million to £20 million in order to realize such cost savings. However, there can be no assurance that any such cost savings and efficiencies will be achieved in time or at all or that we will not incur additional costs to realize such cost savings. See "*Forward-Looking Statements,*" "*Risk Factors—Risks Relating to the Transactions—This Offering Memorandum includes forward-looking statements that involve risks and uncertainties,*" "*Risk Factors—Risks Relating to the Transactions—This Offering Memorandum includes forward-looking statements, certain targets and assumptions in forecasts that involve risks and uncertainties*" and "*Risk Factors—Risks Relating to the Transactions—We have included in this Offering Memorandum certain unaudited adjusted data, and other financial information not prepared in accordance with IFRS.*"

Our investment process and operations

We acquire portfolios through the Balance Sheet business and on behalf of ourselves and third parties through the Fund and Investment Management business in the UK, Italy, Portugal, Ireland and the Netherlands. Portfolios are acquired through a number of sales processes detailed below:

- *Auctions*. A panel of investors or debt purchasers are 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 an adviser, a broker or the debt seller's management team;

- *Bilateral sale*. Debt sellers engage in discussions with one selected party and negotiate the sale. In these transactions, debt sellers target investors with particular competencies or deal execution capabilities to take on a given portfolio;

- *In-situ sale*. The sale of portfolios is accompanied by a legally binding obligation that such portfolios, which are then serviced by particular third parties, remain with those third parties for a certain period of time post-acquisition. In-situ sales can be either bilateral or auction-based. As our platform has the capability of functioning as both debt servicer and purchaser, in-situ sales have historically included purchasing smaller run-off portfolios (sometimes referred to as "portfolio tails") from banks or credit funds

that have placed the servicing/collections activity for those loan portfolios on our Fund and Investment Management platform; and/or

- *Secondary sale*. The sale of loan portfolios from one debt purchaser to another either after a limited period of trial collections activity to establish value or after dividing a portfolio into smaller pieces or at the end of a credit fund life. Secondary sales generate additional liquidity for such debt sellers by facilitating the release of capital earlier and providing debt originators with a platform to sell increasingly larger portfolios to well-funded players that can then sell on to smaller debt purchasers, parts of the portfolios that are less in line with their investment strategy and better suited for specialist collection activity.

We have a strong origination function that is able to source a significant portion of our investments "off-market" that are outside the competitive auction process. During 2020, 74% of portfolio investments made by the Balance Sheet business were purchased off-market. In addition to the differing types of purchases, we purchase across a broad range of sectors and markets as follows:

- *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 largest segment in the debt purchasing market. See "*Industry—The European NPL market*." This market segment 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), overdrafts, affinity cards, residential and SME mortgage loans and shortfalls, and long-term retail debt receivables that have been originated by banks and credit card companies, as well as small business credit. In addition, banks sell specialty real estate loans, bankruptcy claims, structured credit and other credit in real estate receivables;

- *Special Situations*. Particular, non-programmatic event-driven investment opportunities have formed an important part of our business through events impacting counterparties, sellers and other institutions within the credit market that generate, or themselves constitute, attractive investment opportunities;

- *Litigation Related, Bankruptcy & Distress*. Assets acquired through court and bankruptcy proceedings (such as through the Italian Concordato procedure), utilizing our extensive knowledge of bankruptcy processes, provide for attractive investment opportunities;

- *Real Estate*. The real estate sector across the geographies in which we operate offers a wide array of attractive investment opportunities ranging from mortgages and direct real estate investments to real estate-backed assets;

- *Structured Credit*. A variety of structured credit products that continue to be offered by debt sellers account for a diverse range of attractive investment opportunities and assets;

- *Telecommunications and Utilities*. 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. Similar attributes apply to a broad range of utilities;

- *Retail*. Charge-offs resulting from short-term credit offered by catalogue, phone or online shopping companies as part of their sales growth strategy are generally sold at an early stage, usually before being placed with a DCA and thus often resulting in higher value debt portfolios; and

- *Government*. Assets acquired through the rescue/nationalization of banks in the UK (managed by UK Asset Resolution) and Ireland (managed by The National Asset Management Agency) as a result of the global financial crises and ongoing stresses of the 2007-2008 global financial crisis continue to be unwound through programmatic auction processes.

We follow a disciplined, systematic investment evaluation process for investments, which utilizes expertise from different areas of the business and extensive historic data. This approach has enabled us to consistently deliver good returns as demonstrated by our performance track record. There are multiple stages to the evaluation process, typically including most of the components or stages below:

Origination

We have a dedicated origination team that, with the assistance of local on the ground personnel across the various platforms, has access to a wide range of relationships and sources of potential investment opportunities including:

- *Direct Relationships*. We have a wide network of direct contacts with loan portfolio owners across the geographies in which we operate, and we leverage their relationships to identify investment opportunities. The relationship network includes:

  - third-party private investment funds and their managers and investment teams that are seeking to dispose of or otherwise exit the positions held by their investment fund entities at entity lifecycle end;

  - sellers from whom we have previously purchased loan portfolios;

  - entities that are clients of our market-leading loan servicing business;

  - banks and other financial institutions that seek to do business or trade with a party that "speaks their language;" and

  - investment banks seeking a sophisticated investor or trade counterparty.

- *Intermediaries*. We have a wide network of contacts with intermediaries that are active in the loan portfolio transactional market across the geographies in which we operate. This relationship network includes a range of intermediaries employed by prospective debt sellers of loan portfolios to run a competitive portfolio sale process, as well as long-established relationships with the "Big 4" accounting firms.

Screening

Our investment team typically conducts an initial "screening" evaluation of each opportunity identified through the origination process outlined above in order to determine whether or not such opportunity is in line with our investment strategy, risk appetite and target returns. The investment team will also consider whether the opportunity could be serviced by us, or whether a third-party service provider will be required.

Initial Analysis

If the investment team determines, through the screening process described above, that an opportunity should be pursued, the investment team will conduct an initial analysis in order to formulate the optimal plan for conducting a more detailed assessment of that opportunity. This initial analysis will typically include the following steps:

- the investment team will review the initial data received from the debt seller or intermediary and will request any additional data necessary to accurately price and evaluate the opportunity in a way that would be adequate to support a non-binding offer as described below;

- the investment team will determine the level of due diligence that is required at this stage of the evaluation process; and/or

- the investment team will conduct an initial review of the sale and purchase agreement if available and any other additional transaction documentation available, such as information memoranda.

Preliminary Investment Recommendation

If an opportunity passes through the screening and the initial analysis phases, the investment team will prepare a preliminary investment recommendation, which will typically incorporate the following:

- the investment team will prepare forecast collection curves and will work with our portfolio management team and our internal or external servicing platforms to develop the optimal servicing strategy for the opportunity and to determine the servicing costs to produce a net cash flow forecast and forecast return on investment. These collection curves will utilize our proprietary experience, statistical models using historical data sets and/or external data sources; and/or

- the investment team will engage with colleagues from other functions (including legal, operations, finance, risk or compliance, as appropriate) to develop all aspects of the preliminary investment recommendation.

The preliminary investment recommendation is reviewed by the Investment Committee, and, if approved, the transaction will typically proceed to the non-binding offer stage.

Non-Binding Offer

The non-binding offer will typically include the following details, although the debt seller will often prescribe what details are required to be included:

- an indicative purchase price for the opportunity, determined on the basis of the initial analysis described above, together with a summary of the key assumptions on which the purchase price is based;

- details of any further diligence that we require in order to submit a binding pricing proposal;

- confirmation of approvals already obtained to submit the non-binding offer and the approval process for subsequently submitting a binding offer; and/or

- an overview of the portfolio servicing strategy to be implemented once the opportunity is acquired.

Due Diligence

We adhere to a disciplined and comprehensive diligence process that is driven by our knowledge of the market, data access, experience and other relevant points of reference, including third party valuations of real estate assets. We believe that efficient due diligence is conducted both by reference to proven, traditional checks and information as well as insightful, bespoke and transaction-specific inquiry. In particular, we determine a diligence approach appropriate in light of the asset type, proposed transaction structure, location of the asset or any other relevant investment consideration.

Legal, Risk, Tax and Other Departmental Sign-Off

We fully leverage our in-house expertise throughout the evaluation process. The tax, finance, legal, compliance and risk teams monitor each transaction by attending meetings and reviewing selected due diligence documentation throughout the process until approval, as a second layer of risk management. All departments are required to highlight any areas of concern with explicit sign-off by legal and risk required for each investment.

Investment Approval

Once the due diligence for a proposed transaction is complete, our investment team prepares a final Investment Committee memorandum and typically we would expect to complete the following steps:

- the investment team will seek to refine the forecast curves on the basis of the additional data obtained through the deeper analysis and due diligence;

- the investment team will develop “base,” “best” and “worst” case scenario analyses to reflect the high and low boundaries of expected returns based on our prior experience or the known risks relating to the opportunity;

- we will conduct a final review of the risks associated with the opportunity, taking into account any factors mitigating such risks, such as a price reduction or additional contractual protections in the sale and purchase agreement, and thereafter prepare an explanation of any risks that cannot be mitigated and a recommended course of action in respect thereof; and/or

- the investment team will prepare a contract summary of the key commercial aspects of the sale and purchase agreement.

The investment will then be discussed and, if appropriate, approved at an Investment Committee meeting. There are differing levels of committees required depending upon the quantum of the investment. If the opportunity is approved, we proceed to submit a binding offer for the opportunity and, if successful, will seek to execute the transaction to acquire the subject opportunity.

Operational Implementation

The operational implementation team within each platform is overseen by our portfolio management team and is responsible for ensuring that the investment is “loaded onto” the relevant internal or external platform successfully. This will generally include:

- a bespoke implementation plan for each investment;

- a review of the transaction documents to ensure a thorough understanding of the contractual obligations;

- a project plan to ensure the implementation runs smoothly;

- loading loan information onto all relevant systems;

- post-implementation oversight, including put-back monitoring (i.e. returning or “putting back” accounts that do not meet the agreed criteria or where the debt seller fails to provide adequate documentation or data on the account), for a specified period of time; and

- lessons learned review for consistent improvement.

Portfolio Management

Our portfolio management team, which is part of the Fund and Investment Management business, is responsible for the post-acquisition management of all portfolio investments, including

the Fund, future funds and our back-book. Our portfolio management team is split between: (i) fund-level strategic portfolio management, focusing on fund-level structuring, implementation of portfolio strategies, overseeing fund-level business planning and reporting and leading post-purchase projects; and (ii) in-country portfolio specialists, who utilize market knowledge and expertise to monitor portfolio performance strategies and provide active oversight of in-country servicing platforms. This functional design achieves a balance of fund-level strategic oversight and reporting with local in-country knowledge and expertise.

Our portfolio management team has adopted a well-defined and transparent operating and governance regime which drives consistency and clear expectations for all portfolios under management. This also includes appropriate delegated authority and decision frameworks to deliver necessary governance. The primary operating and governance regime comprises:

- Fund Performance Management Meeting ("**P3M**"), which is a strategic fund-level forum covering portfolio performance trends across all investments within a specific fund, together with ongoing portfolio management projects such as financings, asset sales and securitizations. The P3M meets monthly, is led by the portfolio management team and includes senior management representatives from across origination, underwriting, portfolio management, finance and capital allocation.

- In-Country Portfolio Performance Committees ("**PPC**"), which are hosted in each geography and distinct for each fund. The PPC represents the first line control over the relevant servicing platform's effectiveness in managing that fund's investments. It meets monthly and includes senior representatives from our Fund and Investment Management and Asset Management and Servicing businesses. The PPC discusses and reviews portfolio performance, seeks to understand what is driving potential under- or over-performance, and sets strategies and actions to improve performance where relevant.

Our approach to portfolio management and our team's engagement with both internal and external servicing platforms continues to adhere to our guiding principle of treating customers fairly and managing debt repayment circumstances based on our customers' individual requirements. This was particularly relevant during the COVID-19 pandemic when we offered support and guidance at a time when our customers needed us most.

Portfolio Servicing

Our platforms, including Europa Investimenti, as well as external servicers are responsible for undertaking various activities, including secured and unsecured collection activity, real estate asset realization, legal title holding, due diligence activities, initial platform migration and on-boarding activities, master servicing, securitization vehicle set-up and ongoing management activities, new origination activities, litigation and court process management and third-party sub-servicer management.

Our approach to collections is dependent upon the type of portfolio acquired. For example, Capquest Group services unsecured consumer debt in the UK where collections are typically small, regular, annuity-like payments collected over a long period of time, with a highly sophisticated

data analytical and statistical approach to collections being employed. Using data analytics to determine the most efficient, effective and regulation-compliant collection strategy, which may involve litigation strategies, we generally pursue two broad types of collection activities:

- *Payment plans*. Most customers pay by entering into long-term repayment plans, which provides us with significant cash flow visibility.

- *One-off payment*. These arise when a customer makes a payment (less than the full amount) that 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.

Platforms servicing such portfolios employ agents that will contact customers by telephone or increasingly by digital means to seek payments with amounts varying depending on customers' individual circumstances and the portion of such customers' disposable income available to service defaulted debt. During 2020, we enhanced our digital capability including a new interactive SMS service which allowed customers to contact us when it suited them most.

Conversely, the Italian operation of Europa Investimenti is very different as collection activity typically involves legal and court processes and the realization of esoteric assets. Our highly experienced and skilled team at Europa Investimenti may use external brokers, agents and valuers to provide a bespoke solution to maximizing collections value.

An important component of our cash collection strategies is ensuring we operate in accordance with our values and that we achieve fair outcomes for customers while complying with our regulatory responsibilities. Our Group Customer Forum ("**GCF**") brings together the best practices developed in the geographies in which we operate, with the aim of improving customer outcomes. The GCF is essential in sharing best practice within each country's operations and driving forward positive change. It is also tasked with ensuring that we deliver consistent customer treatment - as evidenced by our COVID-19 response - and using data and learned customer behaviors to guide future strategies and service enhancements. The GCF is currently in the process of devising standardized customer experience metrics, including how we can utilize vulnerable customer and complaint management information to improve our processes and policies. We believe that our local and Group customer forums are driving real value, and during 2020 we achieved the following:

- increased customer satisfaction scores, averaging 7.7 (out of 9);

- the development of a customer framework to govern our commitment to customers and our adherence to our guiding principles for collection activities;

- unified vulnerable customer strategies which enabled a swift response to the COVID-19 pandemic, including an immediate hold on litigation activities, the implementation of informal repayment plans of up to three months, as well as other payment arrangements including a switch to interest-only or a reduction and cessation of interest, depending on customer circumstances;

- standardized customer key performance indicators, including customer satisfaction, abandonment and breakage rates, complaints and digital uptake;
- expanded customer payment and communication channels, including SMS, virtual IBAN, customer portals, live chat and online appointment bookings;
- the enhancement of our website to allow for a more customer-friendly browsing experience; and
- the undertaking of a deep dive into our vulnerable customer strategy which revealed high levels of satisfaction with focused improvements in respect of customers' digital experience and customer reviews.

We are proud recipients of various customer service awards. Most notably, in 2020 we were awarded the Credit Strategy 'Best Outsourcing and Partnership' Initiative for Onboarding and Customer Engagement, in recognition of our work with Virgin Money. Additionally, in November 2020 we became four-time finalists after being nominated at the Credit Strategy Collections and Customer Service Awards. In Portugal, in 2020, our business was recognized not only as a Top Employer but accredited as the Best Credit Portfolio Management Company (Global Banking and Finance Review), Best Asset Management Servicer (International Investor) and Best Practice Operator of the Year (ACQ5, Country Awards 2020).

Technology Infrastructure

We recognize the importance that our information technology ("**IT**") infrastructure plays in ensuring that our people can maximize business performance and deliver great outcomes for our customers. Our IT infrastructure is therefore built to provide flexibility, control, resilience and cost effectiveness. We operate a Microsoft first, cloud-based/virtualized approach and have invested in the consolidation of our infrastructure in order to integrate it across our platforms, where appropriate.

Our platforms use a number of core systems; Prod and Latitude in the UK and Ireland, Galaxy in Portugal, DaVinci and Credit Navigator in the Netherlands and a SaaS solution known as Sydema in Italy. Development is transitioning to a centralized approach in order to ensure that there is a common and consistent approach across all of our internally developed/managed systems, with a DevOps and SCRUM approach to development and a drive to automate testing. Where we develop systems, we seek to retain ownership of the intellectual property related thereto. For example, in Portugal, we are in the process of developing our own core platform, Galaxy, which is based on core Microsoft technologies and is due to go live in November 2021. We own the intellectual property rights to the Galaxy system. Similarly, we retain the intellectual property for our development of a fund management system that will provide core functionality for our Fund and Investment Management business.

In addition, we have developed customer portals allowing customers to self-serve, with customers able to make payments via a portal across many of our platforms. Furthermore, we are also developing a more automated solution for our third-party clients enabling a seamless use of our technology through 'white label' solutions.

Data is key to our value proposition and is therefore safeguarded for the benefit of our colleagues, customers and clients. A fundamental area of operational risk management and operational resilience is our approach to information security. We benchmark our minimum information security standards against the international standard of good practice for information security, ISO 27001. Our framework involves identifying our critical data and applying the relevant protection controls to safeguard such data. We acknowledge, however, that the cyber-risk landscape is continually evolving, and in response to this, we are investing in our people, processes and technology in order to protect our colleagues, customers and clients, as well as to strengthen our ability to detect, respond to, and recover from cyber threats. Given that cyber-attacks are inevitable, we continue to focus on deploying resources, training our personnel and building up our technological resilience. We utilize a number of systems, such as Netscope, Mimecast and Okta to respond to potential cyber threats made via the web and our internal email and authentication systems.

Although cyber risk forms a critical component of our operational resilience and scenario testing, we acknowledge that it is not the only business disruptor that can have a significant impact on our operations. As such, the development and strengthening of our business operating model encompasses the development of our culture, processes and systems such that our business is best placed to perform in line with our strategy in the face of disruption, regardless of the source of such disruption. This holistic approach to the development of the systems involved in our business will enable us to anticipate, protect and plan for operation recovery. Our approach to business continuity for our IT infrastructure is to ensure that our systems are "always on," enabled by our use of cloud-based data centers. As such, in the event of a system breakdown, we expect to be able to recover all systems within approximately two hours with only minimal transaction history data loss.

The COVID-19 pandemic represented a real-time test of our operational resilience, and our ability to respond positively to the COVID-19 pandemic has been critical to our stakeholders. Our cloud-based approach allows access to our systems via the internet from any location at any time and as a result, all of our personnel were able to work from home on a fully operational basis by the end of March 2021. Despite transitioning our customer service operations to remote working, our customers, who already have access to our customer self-service portals for payments across many of our platforms, were supported seamlessly with no outage in customer service delivery. The high quality of service we continued to deliver during 2020 is evidenced by the fact that we received various awards for our customer-service operations, most notably the Credit Strategy 'Best Outsourcing and Partnership' Initiative for Onboarding and Customer Engagement, in recognition of our work with Virgin Money. Building upon the resilience of our operations and IT infrastructure, the roll out of Arrow Everywhere is still underway and is expected to allow greater technological flexibility for our employees who work remotely.

In addition to protecting our data and systems from external threats, we also actively manage our data in line with our internal data governance and management strategy. To ensure compliance with this strategy and the applicable regulations, including GDPR and UK GDPR, we utilize tools, such as Exonar and Primed, to trawl systems to manage data and create a framework for compliance in line with contractual and regulatory requirements.

We recently completed the first phase of our strategic finance and reporting transformation program, which involves the implementation of a common Microsoft Enterprise platform to standardize finance processes and controls across the Group. This will provide greater levels of insight, increased control and reduced reporting timelines through increased efficiency, and will also support the delivery of our strategy by strengthening the control environment and by producing higher quality information and analytics thereby enabling a better understanding of the commercial drivers of the business and enhanced strategic decision-making.

All change is overseen by our central change management team to ensure a consistent and common approach as we seek to develop aligned infrastructure across all platforms. Local change management teams are utilized with their knowledge of regulations, practices and language particular to each of our platforms.

For risks relating to our IT arrangements, see "*Risk Factors—Other Risks Relating to our 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 adversely affect our business*." and "*Risk Factors—Other Risks Relating to our 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*."

Litigation

We engage in legal proceedings in the ordinary course of our business to collect on the debt that we own or manage. Outside of these ordinary course of business proceedings, we do not believe that any proceedings are material or will have a material adverse effect on our financial position.

Employees

As of June 30, 2021, we had approximately 2,500 full time employees, approximately 7% of whom were employed in central functions. 28% of our full time employees worked in our UK platforms, approximately 25% of them worked in our Italian platforms and approximately 24% worked in our Portuguese platforms. We have a rigorous and selective recruitment, training and retention strategy in order to maintain our high standards of service. All newly recruited employees are provided with a comprehensive induction program which includes comprehensive training on our legal and regulatory compliance policies. Employee performance is tracked through on-going performance management reviews and a performance grading system. In addition, employees involved in collection activities have additional monitoring, training and customer ratings to ensure fair outcomes for customers. In addition, we have invested in a new online tool called Peakon to measure engagement and cultural characteristics across the Group, and during 2020, the Group-wide engagement score was rated 'good' (i.e., 7.5/10).

Properties

We lease our offices in Manchester, Glasgow, London, Lisbon, Porto, Faro, Hilversum, Amsterdam, Almere, Heerenveen, Ghent, Milan, Rome and Dublin.

ESG

We remain fully committed to meeting our stakeholders' expectations of being a responsible corporate citizen and addressing key sustainability issues, viewed through the lens of our ESG framework. See "*Business—Our Vision and Strategy—Environmental, Social and Governance ("ESG") focus driving better operational outcomes*." We recognize long-term sustainable success is linked to the fortunes of the stakeholders that we serve. As society's expectation of businesses continues to grow, we aim to stay ahead of those expectations. We believe that by integrating sustainability and ESG considerations throughout our operations, we can enhance our business performance, support the financial health of our customers and better support the diverse communities within which we operate.

Our response to the COVID-19 pandemic has tested the resilience of our purpose and values and we are confident that we have responded in a timely and thoughtful manner, with much success in relation to many of our stakeholders such as colleagues, clients and our markets as a whole. Our social commitments were demonstrated as customers received additional support as required, with specific COVID-19 customer outcomes provided to help those most in need throughout the pandemic. Our exemplary approach to the treatment of customers also feeds into our meeting the expectations of portfolio sellers and our third party asset management clients, as such clients seek assurance that their customers will be handled responsibly. Communication with our regulators is always beneficial but was key during the height of the COVID-19 pandemic. Our regulators require consistent assurance that our policies, processes and practices reach regulatory muster and we consistently aim to maintain open communication with regulators and compliance with regulations. Our colleagues benefitted from swift deployment of working from home protocols supported by our IT, business continuity and crisis management teams. As well as prioritizing the safety and well-being of our stakeholders during the COVID-19 pandemic, the unprecedented nature of the COVID-19 pandemic has informed our operational resilience and colleague engagement plans going forward. It also translates into benefits for both existing and new clients based upon the quality of delivery that we showed even in an unprecedented operating environment. Our governance focus remained strong throughout 2020, with additional levels of decision-making control being used during the pandemic in addition to our existing country-level, executive and board committees.

We believe that we do not have any material environmental compliance costs or environmental liabilities. See "*Management*" for details on our governance arrangements.

Current Trends

Collections performance

The COVID-19 pandemic caused disruption to our collections performance, particularly in the second quarter of 2020 due to court closures and temporary interruptions to customers' earnings. At that time, we were cautious about the wider economic conditions and revalued the ERC balance sheet asset at the half year 2020, resulting in a non-cash impairment of portfolio investments of £133.6 million. Cash Collections have performed strongly against these revised estimates, outperforming the estimates by approximately 25% in the second half of 2020. For the

first half of 2021, our collections performance was £179.6 million, representing 119% of the December 2020 forecast ERC.

The impact of COVID-19 on the wider macro-economic environment remains uncertain, in particular once government support schemes, such as the furlough scheme in the UK, are withdrawn. While we remain cautious, the resilience of collections performance was evident during July and August 2021.

We believe the adverse impact of COVID-19 on our businesses, operating results, cash flows and/or financial condition will primarily be driven by the severity and duration of the pandemic's long-term impact on the markets in which we are active and the global economy and the timing, scope and effectiveness of government responses to the pandemic, which are all beyond our knowledge and control. At this time, we cannot reasonably estimate the long-term adverse impact COVID-19 will have on our businesses, operating results, cash flows and/or financial condition, but the adverse impact could be material. See "*Risk Factors—Other Risks Relating to our Operations—Our business, financial condition, cash flows and results of operations have been and may continue to be adversely affected by the COVID-19 pandemic*."

NPL and non-core asset market dynamics

We believe that, given the impact of the COVID-19 pandemic, the level of NPLs and non-core assets is expected to increase. At present, the level of primary auction sales has been relatively low as banks have focused on initial provisioning over asset sales. Whilst we do expect the primary markets to become more active during the latter part of 2021 and into 2022, we have seen strong appetite for our servicing capabilities from financial institutions which require additional collections capacity given the growth in NPLs. Throughout 2020, we secured a record 26 new contract wins. Further, on August 17, 2021, we announced plans to acquire the collections and recoveries operations within Tesco Bank's Customer Service division. This partnership will allow Tesco Bank to deliver an enhanced service to customers in financial difficulty by providing the necessary support and flexibility they will need in the future, with Tesco Bank choosing to partner with us, given our customer focus, proven expertise, technology platform and the cultural alignment between us and Tesco Bank. The partnership is expected to result in our taking on over 200 Tesco Bank personnel on November 1, 2021. Overall, we believe that we have a strong pipeline of opportunities for further new third-party contracts.

In addition, the importance of our origination capability, through our trusted relationships, access to secondary markets and our local platforms, resulted in approximately 74% of our deals being originated off-market during 2020 (based on our calculations) and has ensured that origination volumes have been strong during the first half of 2021. Our Balance Sheet business invested £94.8 million for the first half of 2021. Furthermore, 54% of the Fund was deployed or committed (gross, before capital recycling) as at June 30, 2021, compared with 45% as at March 31, 2021. We expect to reach 70% deployment (after cash recycling) by early 2022 (provided that deployment rates remain consistent with historical deployment rates), enabling the start of fundraising for our second fund in respect of which we are targeting a €2.5 billion fundraise. However, there can be no assurance that such targets will be achieved in time or at all. See "*Forward-Looking Statements*" and "*Risk Factors—Risks Relating to the Transactions—This*

Offering Memorandum includes forward-looking statements, certain targets and assumptions in forecasts that involve risks and uncertainties."

Pricing for portfolio investments

As noted above, the capital deployment for both us and the Fund has been strong through 2021 to the date of this Offering Memorandum. However, given the uncertainty of the macroeconomic environment, we have remained cautious in our approach to pricing and underwriting investment opportunities. Deployment has focused more on off-market real estate and special situation investments with shorter weighted average life, rather than unsecured investments that tend to have a longer weighted average life. This approach to capital deployment allows us to achieve target returns whilst seeking to minimize the risk profile of our investments. The average Net Deal IRR of investments purchased during the six months ended June 30, 2021 was 16%, reflecting our cautious underwriting. The 2020 vintage (i.e., deals purchased in the year ended December 31, 2020) has continued to perform strongly with the Net Deal IRR for the 2020 vintage rising from 18% as of December 31, 2020 to 21% as of June 30, 2021. Actual cash collections on the 2020 and 2021 vintages for the period to June 30, 2021 have represented 230% and 296% of the collections for that period at underwrite.

REGULATION AND COMPLIANCE

Regulatory Framework

The key aspects of the regulatory framework currently applicable to our business are described below.

Fair Debt Collection Practices

Some aspects of our business, including anti-money laundering, consumer credit and mortgage servicing, are regulated on the basis of pan-EU laws retained in the UK following its departure from the EU. However, these do not cover all aspects of debt collection regulation, so it is not possible to comply with a single rulebook in the UK and the EU. Each country in the EU has developed its own set of rules for debt collection operations. The various regulations cover, among others: the methods by which claims can be assigned or transferred; the ways in which a customer can be contacted and a debt collected; and the types and level of fees, interests and costs that can be imposed, and whether those fees, interests and costs can be passed to the customer or the client.

In countries where there are no specific regulations covering debt collection and where no licensing requirements apply for certain debt collection operations, there are still regulations of a more general nature which we must observe when carrying out our debt collection operations. Such regulations include, for example, general civil and commercial rules and consumer protection laws and regulations regarding caps on collection fees and interest costs. Any regulatory changes reducing the amount of such costs we can recover may have a negative impact on our results of operations.

In all countries in which our operations are licensed or regulated, our subsidiaries are subject to certain integrity tests with respect to debt collection. These integrity tests may include verifying that the collection business is carried out in accordance with local rules and regulations; the directors of the board have sufficient knowledge and experience and have not misused any debt collection permissions; and the directors meet other general suitability and reliability checks.

Statutes of Limitations

Rules regarding the length of time after which an unpaid debt may not be pursued by creditors and the ways in which the statute of limitations can be tolled so that a debt can remain collectible also vary across jurisdictions. In a majority of the countries in which we operate, it is possible to extend the statutes of limitation on historic debt claims indefinitely by using various methods, including enforcement actions, notification of the customer or otherwise interrupting the limitation period with continued court proceedings. Some of the countries in which we operate have in the past changed the statutes of limitation for certain debt including by limiting the ability to extend or interrupt the limitation period, or have discussed doing so. We constantly monitor any changes in these rules in the countries in which we operate, and, where appropriate, implement local procedures to interrupt the limitations period. Any significant reduction in the statute of limitations or in the ability to toll the statute of limitations, and any failure to implement local procedures to interrupt the limitations periods, would negatively impact our operations.

Anti-money Laundering

Our operations are subject to anti-money laundering laws.

On May 20, 2015, Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012, and repealing Directive 2005/60/EC, as amended by Directive (EU) 2018/843 ("**4th and 5th AML Directives**") was adopted by the European Parliament and the Council. The 4th and 5th AML Directives enhanced previous client due diligence requirements and also provided for greater enforcement powers, including stricter sanctions with maximum administrative fines of at least €5,000,000 or 10% of total annual turnover. Following the UK's departure from the EU, UK legislation implementing the 4th and 5th AML Directives has been retained in UK domestic law by virtue of the EUWA.

United Kingdom

The consumer credit and mortgage industry in the UK is highly regulated. Operating in compliance with applicable regulatory requirements requires considerable investment in processes, know-how and management.

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. The FCA's "operational objectives" are to protect and enhance confidence in the UK financial system by securing an appropriate degree of protection for consumers, protecting and 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 it regulates function well. In the UK, the principal sources for the regulation of consumer credit activities and mortgage conduct are:

- the Financial Services and Markets Act 2000;
- the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544);
- (for consumer credit activities) retained provisions of the Consumer Credit Act 1974 and some related secondary legislation;
- (for mortgage conduct) the Mortgage Credit Directive Order 2015; and
- the rules and guidance in the FCA Handbook (including CONC, which is the FCA specialist sourcebook that applies to firms carrying on credit-related regulated activities, and MCOB, which is the conduct of business sourcebook for mortgages and home finance).

Until April 1, 2014, consumer credit in the UK was regulated under the CCA, with the OFT responsible for protecting consumer interests and regulating consumer credit firms. The regulation of consumer credit activities in the UK under the CCA implements, but goes well beyond the requirements of the CCD. Responsibility for regulating consumer credit activities was transferred

to the FCA in April 2014 as an additional function to be undertaken within the framework of FSMA and certain retained parts of the CCA.

The MCD sets out the EU's framework of conduct rules for mortgage firms and was implemented in the UK through the MCDO. The domestic legislation implementing both the MCD and the CCD have been retained in UK law following its departure from the EU by virtue of the EUWA.

In keeping with its operational objectives, the FCA carries out thematic reviews, conducts consultations and revises its policy and rules as part of its ongoing process of regulating the consumer credit and mortgage industry. Identification of poor practices or poor outcomes for consumers can result in policy and rule changes that bring about significant changes. For example, the FCA:

- introduced a price cap on high-cost short-term credit (including "**pay-day loans**") which came into force on January 2, 2015. In a Feedback Statement issued in July 2017, the FCA confirmed its decision to maintain this price cap. The Feedback Statement also identified key areas of concern with the high-cost credit sector including arranged and unarranged overdrafts, rent-to-own, home-collected credit and catalogue credit. Further to that Feedback Statement, on January 31, 2018, the FCA issued a High-Cost Credit Review Update in which it confirmed its ongoing concerns with these areas. The FCA also announced a price cap on "rent to own" products in March 2019;

- published the final report of its market study of competition in the credit card market on July 26, 2016, which found that, while competition was working fairly well, credit card firms could do more to help higher risk consumers and those with persistently high credit card debt, such as by identifying early signs of debt problems and intervening accordingly. In April and December 2017, the FCA consulted further in this area and has introduced further changes to address its concerns. On February 27, 2018, the FCA published its final policy statement on new rules for the credit card market. The changes provided more protection for credit card customers in persistent debt or at risk of financial difficulties. The new rules came into force on March 1, 2018, and firms have had until September 1, 2018, to comply with them;

- published the findings of its thematic review of early arrears management in unsecured lending on December 13, 2016, which found (among others) that, for customers showing signs of financial difficulty, the majority of firms missed early opportunities to identify this and offer appropriate forbearance;

- published final guidance on April 24, 2017, on the fair treatment of mortgage customers in payment shortfall which requires firms to cease the practice of automatic capitalization and provide redress to affected customers;

- published the findings of its thematic review on staff incentives and remuneration in consumer credit firms on July 4, 2017, which found that a significant proportion of firms had high risk financial incentives likely to encourage high-pressure sales or collections and had inadequate or ineffective controls;

- published a consultation paper on July 31, 2017, on assessing creditworthiness, including affordability, in consumer credit the purpose of which is to amend the FCA's rules and guidance in order to clarify its expectations of firms (such as factors to be taken into account when assessing whether credit is likely to be affordable);

- announced its intention in July 2018 to consult on mandating removal of the minimum repayment anchor as part of its efforts to limit the use of credit cards for longer-term borrowing;

- published its policy statement in July 2018 with final rules on assessing creditworthiness in consumer credit; and

- published the Woolard Review report to the FCA Board on February 2, 2021 on change and innovation in the unsecured credit market, which set out a number of recommendations to the FCA for improving regulation of the unsecured lending market.

Additional exceptional measures have been taken by the FCA in response to the COVID-19 pandemic. Beginning in March 2020, the FCA announced, through guidance (and subsequently, through the updating of that guidance in June, November and December 2020), measures for supporting mortgage borrowers experiencing payment difficulties. According to the FCA's guidance:

> "… where a customer is experiencing or reasonably expects to experience payment difficulties as a result of circumstances relating to coronavirus, and wishes to receive a full payment deferral, a firm should grant a customer a full payment deferral for three monthly payments, unless it can demonstrate it is obviously not in a customer's best interests."

The FCA issued similar payment deferral guidance for consumers experiencing difficulties due to the COVID-19 pandemic in repaying credit products (including personal loans, credit cards, store cards, catalogue credit, motor finance, rent-to-own, buy now pay later and pawn broking agreements). The FCA's guidance contemplates that such deferral schemes would end on July 31, 2021.

The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020 (the "**Debt Respite Scheme**") came into force on May 4, 2021. Broadly, the Debt Respite Scheme provides for two types of relief: (i) protections available to anyone with debt protecting them from creditor action for up to 60 days by pausing most enforcement action, preventing contact from creditors, and freezing most interest and charges; and (ii) protections available to debtors receiving mental health crisis treatment.

In July 2021, the FCA published its business plan for 2021/22. Among the priorities for the period are an increased focus on authorization, to ensure that from the point of authorization firms have high standards and maintain them. The FCA also intends to proceed with its work on the introduction of a new consumer duty, requiring firms to put consumers at the center of their business plans. There are also a number of initiatives scheduled for 2021 including: a consultation on bringing interest-free buy-now pay-later credit agreements within the FCA's authority; a review

of the high-cost short-term credit price cap; and a consultation paper on how to provide ongoing support to borrowers in financial difficulty.

At the European level, the European Commission published a legislative proposal to amend the CCD in June 2021, and published a report on its review on the MCD in May 2021 that may also lead to further legislative changes.

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 us, Investment Portfolio Sellers and our DCAs. We believe that the regulatory environment favors participants with scale, such as us, that are more likely to be able to adapt and comply with evolving consumer protection policy and the increasing volume of regulation in the industry. Investment Portfolio 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.

The UK Consumer Credit Regulatory Framework

Since April 1, 2014, the FCA's responsibilities have been extended to the consumer credit market and regulated consumer credit activities such as lending, credit brokerage and other ancillary credit-related activities. As noted above, the consumer credit regime principally consists of FSMA, the CCA and the FCA Handbook (in particular, CONC). Many of the requirements applicable to regulated credit agreements are prescriptive in nature and include obligations to:

- 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 at the outset and during the term of the agreement upon request;
- provide customers with prescribed forms of notices in relation to defaults and termination;
- provide customers with prescribed forms of post-contractual statements and notices;
- ensure an "unfair relationship" does not arise between the lender and the borrower; 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).

In addition to regulatory action, non-compliance with these requirements could, for example, result in the underlying loan agreement being unenforceable against the borrower and the borrower having no liability to pay interest or default charges (for the period of non-compliance).

The UK Mortgage Regulatory Framework

The mortgage regime principally consists of FSMA, the MCDO and the FCA Handbook (in particular, MCOB). The regulation of residential mortgage business entered into force on October 31, 2004. There have been incremental changes to the mortgage regime over time—for example, there is no longer a requirement for the security to be first ranking in order for a mortgage to fall within the mortgage regime and some mortgages which were previously subject to the consumer credit regime are now subject to the mortgage regime (although some protections afforded by the consumer credit regime may still be available).

Some of these changes were introduced as a result of the MCD, which was transposed into UK law through the MCDO on March 21, 2016, which remains in force pursuant to the EUWA. The MCD is focused on residential mortgages with the intention of preventing the irresponsible lending and borrowing practices that became apparent during the financial crisis. It is also aimed at creating a more efficient and competitive single market for mortgages. The implementation of the MCD has also resulted in greater regulation for certain consumer buy-to-let mortgages than was previously the case (for example, the Mortgage Credit Directive Order introduced conduct of business regulations and information requirements for customers of consumer buy-to-let mortgages).

Many of the requirements of the MCD were pre-emptively introduced in the UK through the FCA's Mortgage Market Review in April 2014. However, the MCD is broader in scope than the previous UK mortgage regulation and applies a standard approach to first charge mortgage contracts and second and subsequent charge mortgage contracts, whereas previously the FCA distinguished between the two. The implementation of the MCD has resulted in the first and subsequent charge mortgage markets being much more closely aligned, primarily by now treating second and subsequent charge contracts as regulated mortgage contracts. We currently use third parties to service accounts affected by the MCD, relying (pursuant to Article 62(a) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001) on their regulatory permissions for mortgage administration.

FCA Authorization

Pursuant to Section 19 of FSMA, a firm must be authorized to carry on regulated activities by way of business in the UK. A contravention of this requirement is a criminal offense (and may result in any underlying customer agreements being unenforceable without a validation order). Similar sanctions may also apply for breaches of the financial promotions regime. Additionally, the direct and indirect involvement or an unauthorized person in a regulated activity may result in the underlying customer agreement being unenforceable (and may, for example, also allow that customer to recover monies/property and/or seek compensation).

Examples of regulated activities include:

- entering into a regulated credit agreement as lender;

- exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement (therefore, debt purchasers who acquire the lender's rights and duties under the credit agreement are required to be authorized);
- debt administration;
- debt collection;
- entering into a regulated mortgage contract;
- administering a regulated mortgage contract; and
- agreeing to carry on a regulated activity.

Arrow Global Limited has been registered with the LSB as an associate subscriber since July 2016. Arrow Global Limited, Arrow Global Massey Limited, Arrow Global Legh Limited, Capquest Debt Recovery Limited and Drydens Limited are currently the only Group businesses with full FCA authorization to conduct certain consumer credit-related regulated activities in the UK. Mars Capital Finance Limited and Drydens Limited have full FCA authorization to conduct certain mortgage-related regulated activities in the UK.

Prior to granting full authorization for a firm to carry on regulated activities, the FCA is required to carry out a thorough assessment of the applicant, including their business model, and to determine whether that firm will meet the required organizational and suitability standards (referred to as the "**threshold conditions**").

The "**threshold conditions**" are the minimum organizational and suitability requirements which must be satisfied in order to obtain (and maintain) FCA authorization. These relate to matters including the location of the firm's offices, whether the firm is capable of being effectively supervised by the FCA, the quality and quantity of the firm's resources (including both financial and management resources), whether the firm is a "fit and proper person" to conduct the relevant activities and whether the firm has a suitable business model.

As of the date of this Offering Memorandum, 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).

FCA Handbook

The FCA's approach to regulation and the standards it requires firms to maintain are set out primarily in the FCA Handbook (mainly in the form of rules and guidance).

Some of the requirements that apply to the UK Regulated Firms are set out in the following sections of the FCA Handbook: PRIN, GEN, SYSC, SUP, MCOB, CONC and COCON.

PRIN are a general statement of the fundamental obligations that firms must comply with under the regulatory system and are regarded by the FCA as the basis for most of the other more detailed rules and guidance and include, for example, principles that a firm must conduct its

business with integrity; pay due regard to the interests of its customers and treat them fairly; and deal with its regulators in an open and cooperative way and disclose to the FCA appropriately anything relating to the firm of which the FCA would reasonably expect notice.

The rules in:

- GEN relate to matters such as status disclosure and interpretation of the FCA Handbook;

- SYSC require firms to organize and control their affairs responsibly and effectively, including requiring firms to establish and maintain appropriate and risk-sensitive financial crime policies and procedures, and to identify, assess and mitigate the risk of money laundering in their business. They also include, among others, general organizational requirements relating to governance, requirements relating to the skills, knowledge and expertise of staff, Senior Managers and Certification Regime ("**SMCR**"), outsourcing responsibilities, record-keeping requirements and rules relating to conflicts of interests;

- SUP relate to ongoing supervisory matters, setting out the relationship between the FCA and the firms it regulates, including requirements for firms to make various notifications to the FCA and detailing supervisory powers;

- MCOB require firms carrying on home finance related activity (such as regulated mortgage lenders and servicers) to comply with requirements on matters such as pre- and post-contractual requirements, responsible lending, charges, arrears and repossessions;

- CONC require firms carrying on consumer credit related activity to comply with requirements on matters such as pre- and post-contractual requirements, responsible lending, debt collection and debt advice; and

- COCON sets out the FCA's rules concerning the conduct of certain persons working in firms.

A contravention by a firm of any requirements set out in the FCA Handbook could result in regulatory action (for example, the imposition of a financial sanction) and/or (in certain cases) a claim for damages brought by a private person (for example, a borrower under a loan agreement).

Senior Managers and Certification Regime

In response to the 2008 banking crisis, the UK Parliamentary Commission for Banking Standards ("**PCBS**") recommended a new accountability framework focused on senior management, with authorized firms taking more responsibility for assessing whether their own employees are fit and proper.

The FCA and Prudential Regulation Authority ("**PRA**") began applying SMCR to the banking sector from March 2016; Parliament made further changes to legislation in May 2016, and required the regime to be extended to all FSMA-authorized firms from December 9, 2019.

The key elements of the SMCR are:

- *Senior Managers*: the most senior individuals who perform specified roles or functions within the firm ("**Senior Management Functions**") are the '**Senior Managers;**' senior managers require approval by the FCA; each senior manager has a "statement of responsibilities" detailing the areas they are responsible for; certain "prescribed responsibilities" specified by the regulator must be allocated to one or more of the senior managers; and senior managers are subject to a statutory "duty of responsibility" requiring them to take reasonable steps to prevent, or stop, a breach of rules in their area;

- *Certification Staff*: employees who are not Senior Managers but whose job can cause significant harm to the firm, its customers or the integrity of the market, fall within the certification regime; amongst other requirements, these employees must be certified as fit and proper by the firm;

- *Code of Conduct*: the conduct rules set basic standards of personal conduct; they apply to almost all employees within firms; some conduct rules apply to everyone within scope, some apply only to senior managers; firms are required to give training on the conduct rules and notify the FCA if they have taken disciplinary action against an employee for breach of them; and

- *Ongoing assessment*: firms must assess whether Senior Managers and certified staff are "fit and proper," on an ongoing basis and at least annually; as part of the initial fit and proper assessment, firms are expected to request regulatory references to cover the last six years of employment.

Controllers Regime

Any potential acquirer seeking to acquire 20% or more of the shares or voting power in one of the UK Regulated Firms or one of their parent undertakings (or, shares or voting power in either as a result of which that acquirer would be able to exercise significant influence over the management of one of the UK Regulated Firms), will have to obtain the FCA's prior approval and notify the FCA if it should dispose of shares or voting power such that its holding falls below 20%. A failure to obtain FCA approval will amount to a criminal offense.

Unfair Terms

In the UK, the UTCCR applies to agreements entered into with a consumer on or after July 1, 1995, but prior to October 1, 2015 (and were not individually negotiated). The CRA (which came into force on October 1, 2015) consolidated much of the existing consumer rights law in the UK. Among others, it repealed the UTCCR in relation to new consumer contracts made on or after October 1, 2015, and effectively merged the consumer protection rules under the UTCCR and the Unfair Contract Terms Act 1977. The CRA applies to agreements entered into with a consumer on or after October 1, 2015, or agreements which were, since October 1, 2015, subject to a material variation such that they are treated as new agreements falling within the scope of the CRA. The CRA also applies to notices of variation (such as variation of interest rates) made since October 1, 2015.

Under the UTCCR and CRA, it is possible that any agreement that has been made or entered into with a consumer may contain terms that are deemed by a court (or other body) to be "unfair," which may result in the possible unenforceability of such terms (and may ultimately affect the ability to collect payment under any loan). However, a term of an agreement may not generally be assessed for fairness if it specifies the main subject matter of the contract or relates to the appropriateness of the price payable under the contract by comparison with the goods or services supplied under it (provided that the term is written in plain and intelligible language and brought to the consumer's attention in such a way that the average consumer would be aware of the term).

In light of the broad and general wording of the UTCCR and CRA, it can be difficult to predict whether a court (or other competent body) would find a term to be unfair. It is therefore possible that any agreement covered by the UTCCR, the CRA or any other unfair terms legislation may contain terms that are deemed to be unfair, which may result in the possible unenforceability of such terms of such agreement.

Since the UTCCR and CRA are based on an EU directive, similar issues may arise in EU Member States.

Unfair Relationships

The CCA provides for an "unfair relationship" test which applies to a broad range of credit agreements. In the event that a court determines a relationship between a creditor and debtor to be unfair, it has broad powers to grant a wide range of remedies (for example, the court could require certain sums to be repaid to the debtor). There is no statutory definition of what would amount to an "unfair relationship" as the test is intended to provide flexibility.

By way of example, the UK courts have determined a relationship to be unfair where (i) broker commissions (the existence and/or amount) were not disclosed to debtors prior to their entry into a loan agreement and (ii) payment protection insurance commissions were not disclosed to debtors prior to their entry into a loan agreement.

Supervision and Enforcement

The FCA has wide powers to supervise, and intervene in, the affairs of a regulated 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 types of work. The first type is proactive, which entails pre-emptive identification of harm through review and assessment of firms and portfolios. The second type is reactive, which addresses issues that are emerging or have already happened at a firm. The third type is thematic, which entails wider diagnostic or remedy work where there is actual or potential harm across a number of firms.

The FCA undertakes monitoring of regulated firms and may ask to perform an on-site visit to ensure that the business of such firms is compliant with all of the applicable requirements.

Where consumer detriment (for example) is found, the FCA will use its powers of intervention, which might include taking enforcement action and/or securing redress for consumers.

Firms are categorized by the FCA, which is the conduct regulator for around 51,000 financial services firms, for supervisory purposes on a risk basis to determine the level of supervision applied, varying from having dedicated supervisory teams through to ad-hoc supervision.

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'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, for example:

- withdraw authorizations and approvals;
- stop individuals from working in financial services;
- stop an individual from carrying out specific regulated activities;
- suspend a firm from carrying out specific regulated activities;
- suspend an individual from carrying out specific regulated activities;
- publicly censure firms and senior managers;
- 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.

Complaints Reporting and Publishing Requirements

Regulated firms must record every complaint they receive, including how they resolved it, and keep the record for three years. Firms will also be required to provide the FCA with a report of the complaints they have received every six months (although some exceptions apply to smaller firms). There is also a general obligation on firms to publish a summary of their complaints data, with specific rules on the timing of publications. The information about complaints that firms must provide and how often firms should report and publish complaints will depend on the activities they carry out.

Complaints and Compensation Arrangements

In the UK, the FOS acts as an independent adjudicator of the complaints made to it (by individuals and small enterprises). A decision by the FOS is binding on the business, but not on the complainant. There are formal escalation procedures for a complainant 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. The FOS can address complaints in relation to a regulated firm's regulated and unregulated activities.

The Financial Services Compensation Scheme 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. Since April 2018, the Financial Services Compensation Scheme has covered debt management firms.

Data Protection

The GDPR entered into force on May 25, 2018. The UK is no longer a member of the EU, but has retained the GDPR in its domestic law by virtue of the EUWA (the body of law retained in the UK, including the Data Protection Act 2018, is referred to as the "**UK DPA**"). The GDPR applies to (i) organizations that process the personal data of data subjects (natural persons) located in the EEA in the context of the activities of an establishment in the EEA and (ii) organizations outside the EEA that offer goods or services to data subjects in the EEA, or that monitor the behavior of data subjects in the EEA. The UK DPA applies to (i) organizations that process the personal data of data subjects located in the UK in the context of the activities of an establishment in the UK and (ii) organizations outside the UK that offer goods or services to data subjects in the UK, or that monitor the behavior of data subjects in the UK. For the purposes of the GDPR and the UK DPA, personal data is information that can be used to identify a natural person, including a name, a photo, an email address, or a computer IP address.

The GDPR and the UK DPA (and other similar data protection laws in other countries) provide greater protection for data subjects by requiring, amongst other things, personal data to be processed lawfully in a fair and transparent manner, to be collected for specified, explicit and legitimate purposes, and to be limited to what is adequate or necessary in relation to those purposes. Data controllers must be able to respond to the rights of data subjects, which includes the right of individuals to access their personal data, to seek to rectify inaccurate data, to have personal data erased where processing is no longer required, to seek to restrict the processing of their personal data, and to object to the processing of their personal data. Controllers and processors of personal data must implement appropriate technical and organizational measures to protect the rights of data subjects and ensure a level of security against loss, misuse or unauthorized access. A personal data breach which results in the likelihood of a risk to the rights of a data subject must be notified to an appropriate supervisory authority without undue delay; a breach with a high risk to the rights of a data subject must be notified to the data subject (also without undue delay). Where third parties are involved in the processing of personal data, or where personal data is being transferred to other countries that do not provide an adequate level of protection, appropriate arrangements must be put in place, such as, e.g., the use of standard contractual clauses.

Certain violations of these data protection laws may result in significant administrative fines, e.g., under the GDPR, organizations can be fined up to €20 million, or in the case of an undertaking, up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher. Any failure to comply with privacy and data protection related obligations may therefore result in significant liability, which could have an adverse effect on the reputation of that party and its business.

In the UK, the Information Commissioner's Office or 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 rights of individuals with respect to their personal data. The ICO is empowered to impose requirements through enforcement notices (in effect, stop orders), issue monetary fines and prosecute criminal offenses under the UK DPA.

We control the processing of significant amounts of personal data. We have undertaken a data protection impact assessment, updated our contracts with processors, published a privacy notice, implemented appropriate technical and organizational measures to maintain the security of personal data and established a data protection policy, an information security policy and a data retention policy and we follow the applicable guidance issued from time to time by the ICO, in particular, e.g., in relation to the handling of data subject access requests from individuals.

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. Following a consultation, the ICO published the Data Sharing Code of Practice in December 2020, which was laid before Parliament in May 2021; it became a statutory code of practice on data sharing in July 2021.

LSB's Standards of Lending Practice

The LSB is a self-regulatory organization that promotes fair lending and positive consumer outcomes in the UK principally through the Standards of Lending Practice. The Standards of Lending Practice (previously the Lending Code) developed by the LSB came into operation on October 1, 2016, and are applicable to UK banks and lenders who are registered with the LSB. According to the LSB's website, the personal standards came into force on October 1, 2016 and were most recently updated on April 8, 2021 (with effect from July 1, 2021). The business standards came into force on July 1, 2017 and were most recently updated on August 5, 2020 to provide advice on products offered under the Government's Coronavirus Business Interruption Loans Scheme and Bounce Back Loan Scheme.

We have been registered with the LSB as an associate subscriber since July 2016. The majority of UK Investment Portfolio Sellers are registered with the LSB and, therefore, look to ensure that their third-party service providers and debt purchasers also comply with the requirements of the LSB and specific credit business activities.

As a consequence of being registered with the LSB, we are expected to comply with the relevant provisions of the Standards of Lending Practice. Our policies are reviewed and updated against the requirements of the Standards of Lending Practice.

The LSB actively carries out thematic reviews and/or publishes reports in respect of activities that are relevant to us, primarily in relation to the Standards of Lending Practice for personal customers. The LSB conducts reviews of each standard or code, as well as risk-based thematic reviews. The LSB generally seeks to understand how firms meet their commitments in its less formal capacity, and as new concerns relating to consumer outcomes emerge, adapt the Standards of Lending Practice accordingly to help firms develop an appropriate approach for dealing with them.

Given the regulatory focus on ensuring fair treatment for both personal and business customers and, by their nature, the evolving Standards of Lending Practice, industry participants may be subject to additional compliance burdens which may have an impact on our profitability. In addition, the findings of the LSB's reviews may trigger investigatory work or enforcement action by the FCA.

The Capquest Group

The Capquest Group, which is a UK consumer debt purchaser and outsourced collections provider, contains one operating company (Capquest Debt Recovery Limited) which is subject to the regulatory framework as set out above. Additionally, one operating company (Capquest Mortgage Servicing Limited) holds regulatory permissions allowing it to service regulated mortgages. Consequently, this entity currently is subject to certain rules within the FCA regime for regulated mortgage activities in addition to the regime in respect of regulated consumer credit activities described above.

Debt Claims Protocol

The Pre-action Protocol for Debt Claims (the "**Debt Protocol**") is a pre-action protocol setting out the steps the court would normally expect parties to take before commencing proceedings. Pre-action protocols are approved by the Master of the Rolls and are annexed to the Civil Procedure Rules. The Debt Protocol has as its core principle that debtors should be provided with sufficient information to enable them to obtain advice on their position prior to the issue of a claim from the creditor. The Debt Protocol requires the provision of various documentation before litigation 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; imposes time periods before proceedings can be commenced; and calls for resort to alternative dispute resolution mechanisms before starting court proceedings. Failure to comply with the Debt Protocol in respect of a claim could adversely affect our ability to pursue litigation in respect of such claim. In addition, the FCA may not regard litigation as an appropriate remedy in certain circumstances. In January 2021, the FCA wrote a 'Dear Board of Directors' letter to portfolio firms identifying certain poor practices involving litigation, including seeking judgement from vulnerable customers. The FCA stated that it expects firms to pay due regard to the interests of their customers and treat them fairly.

Portugal

Hefesto is a regulated securitization vehicle (*sociedade de titularização de créditos*) which is a limited liability commercial company (*sociedade anónimas*) established for the exclusive

purpose of carrying out securitization transactions in accordance with Decree-Law no. 453/99, of November 5, 1999 (the "**Securitization Law**"). Hefesto is subject to the supervision of the CMVM and its incorporation was subject to prior authorization by the CMVM.

The acquisition of qualifying holdings in Hefesto is subject to prior notification to the CMVM. The CMVM may oppose the proposed acquisition if it considers that the proposed acquisition does not contribute to sound and prudent management of the company. This also applies to the indirect acquisition of qualifying holdings.

The Securitization Law provides that members of the board of directors and members of the supervisory board must be registered with the CMVM and must meet certain standards as regards their professional qualifications and personal reputation. Hefesto carries out securitization transactions by means of the acquisition of loans and the issue of debt securities (securitization notes) to finance the payment of the purchase price for the acquired loans. The securitization notes are subscribed by investors and include our group and third-party investors.

Once transferred to Hefesto, the loans constitute a segregate estate allocated exclusively to the issuance of the securitization notes, under a complete segregation of assets/liabilities principle (*património autónomo*), and will therefore only be available to satisfy the claims of the holders of the Notes (according to the applicable priorities) and other creditors of the Issuer do not have any right of recourse over the loans portfolio until there has been a full discharge of the Issuer's liabilities towards the holders of the Notes and the other transaction creditors. The rights of the holders of the Notes regarding the payment of principal and interest (together with the rights of the other transaction creditors) rank senior to the rights of any other creditor of Hefesto in relation to the loans that back the relevant notes. The loans will therefore not be available to creditors of Hefesto other than the holders of the Notes (and other transaction-related creditors) until there has been a full discharge of the Issuer's liabilities towards the noteholders and the other transaction creditors. The holders of the Notes are also not entitled to claim against Hefesto's own funds or the assets backing other notes issued by Hefesto.

Whitestar acts as servicer for securitization transactions made under the Securitization Law and is to such extent also subject to supervision by the CMVM. The Securitization Law provides that whenever the originator is a credit institution, servicing of the securitized loans shall in principle be carried out by the originator on behalf of Hefesto. However, in duly justified cases, the CMVM may authorize that servicing to be carried out by an entity other than the originator, such as Whitestar. Such authorization will depend on the evaluation of systems and experience of the servicer.

Our purchase of non-paying loan portfolios from Portuguese credit institutions generally are 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.

Portuguese laws applicable to consumer loan agreements (including the transposed EU Directive described above), such as consumer credit regulations, prohibition on agreements being on unfair terms and other statutory requirements continue to apply to the Portuguese loan portfolios even after we have acquired them. The collection process in Portugal involves bringing judicial proceedings, and courts might strike down certain clauses of the relevant credit agreements that

are considered to be in breach of consumer credit regulations and other local statutory requirements, or deemed to be unfair terms.

We must comply with local law on personal data being, the GDPR, Law no. 58/2019 of August 8, which ensures the implementation in Portugal of the GDPR, and Law no. 41/2004 of August 18, which implements in Portugal the ePrivacy Directive (Directive 2002/58/EC). Norfin is authorized to manage undertakings for collective investment in property by CMVM which supervises its activity and is subject to the local implementation of AIFMD and additional local regulation.

The Netherlands

In the Netherlands, in order to act as an intermediary in respect of consumer credit and/or mortgage credit and to offer consumer credit and/or mortgage credit (including activities relating to the servicing of existing credit agreements granted by third parties), we must have and maintain licenses granted by the AFM and the Vesting Group entities that have such licenses must comply with ongoing requirements and rules of conduct. These ongoing requirements include: (i) suitability and reliability of the (co)-policymakers; (ii) the competence of certain key employees; and (iii) ethical management (*integere bedrijfsvoering*). The licensed Vesting Group entities also are required to follow certain rules of conduct and should, among others, be affiliated with the Office for Credit Registration (*Bureau Krediet Registratie*) and a qualified dispute authority (*geschilleninstantie*) and keep proper administrative records of complaints.

Failure to meet these requirements can result in AFM disciplinary actions or sanctions such as an instruction *(aanwijzing*) to adopt a certain course of action, an order for incremental penalty payments (*last onder dwangsom*) or an administrative fine (*boete*). The AFM may impose other specific sanctions including, but not limited to, resignation of one or more managing directors or revocation of the license. Additionally, failure to meet certain of these requirements, including licensure, could amount to a criminal offense pursuant to the Economic Offenses Act (*Wet economische delicten*).

Vesting Group

The Vesting Group includes Dutch entities that are subject to the AFM regulatory framework. One of these entities holds a license allowing it to grant and act as an intermediary with respect to consumer credit and mortgage credit, and another one of these entities holds a license allowing it to grant consumer credit. Additionally, a number of Dutch entities have been registered as an "affiliated entity" (*aangesloten instelling*) of the Dutch company holding a license to grant and act as an intermediary with respect to consumer credit and mortgage credit. The licensed Dutch company is responsible for the affiliated entities' compliance with the rules of conduct and instructions given by the AFM. Each affiliated entity should be affiliated with the Office for Credit Registration (*Bureau Krediet Registratie*).

Guidelines

In November 2016, the AFM published guidelines in relation to consumer credit and debt collection servicers (*Leidraad: Consumenten en Incassotrajecten*). The AFM provided guidelines on the responsibilities of consumer credit providers in case of payment delays and certain other

risks associated with the sale and transfer of consumer credit receivables or credit agreements. In such cases, according to the guidelines, the consumer credit lender must secure the interests of its client after such transfer. Such measures should be contractually secured in the case of transfer of the receivables or credit agreement. Consumer credit lenders are not required to follow the guidelines and may use other solutions to focus on clients' interests in case of payment delays in accordance with the applicable laws and regulations.

Data protection

We are required to comply with the data protection regulatory framework provided by the GDPR, as well as associated rules, regulations and guidance issued by the relevant regulators on national and European level.

The data protection regulatory framework imposes rules and restrictions on companies with respect to the processing of personal data. Under these rules, personal data may only be processed in a fair, lawful and transparent manner. This means the requirement (among others) that personal data must be accurate and up to date, and may only be processed for legitimate purposes and not be further processed in a manner that is incompatible with those purposes. Also, the processing of personal data must be limited to what is necessary in relation to the purposes of the processing. This includes for example storage limitation requirements.

Furthermore, companies are required to take appropriate security measures to protect the personal data against loss (in a broad sense). Where third parties are being involved in the processing of personal data, or where personal data is being transferred to other countries, appropriate (contractual) arrangements must be put in place in accordance with the requirements laid down in the data protection regulatory framework.

Failure to comply with the data protection regulatory framework can result in administrative fines (under the GDPR up to €20 million or up to four percent of the total worldwide annual turnover of the preceding financial year, whichever is higher), as well as criminal charges, breach of contract and damages actions, prohibitions on processing personal data, and reputational damage.

Italy

The Zenith Group's main business is carrying out servicing activity in Italy, including: management and collection of receivables; cash and payment services in relation to securitizations; and assessment of compliance of securitization transactions with the applicable regulatory framework, jointly with other non-regulated activities. For this reason, the Zenith Group is subject to regulation under Article 106 of Legislative Decree September 1, 1993, No. 385, as amended (the "**Italian Banking Act**").

Before granting authorization under Article 106, the Bank of Italy carries out an assessment of the applicant and its business plan, including, among others, the integrity, fairness and professional requirements that the members of the corporate bodies must meet; the shareholding structure; the financial soundness and the business plan. After obtaining the necessary authorization, financial intermediaries are subject to ongoing supervision by the competent

authorities and are required to comply with various regulatory requirements concerning the following matters, among others:

- *Prudential capital requirements*: Certain provisions of EU Regulation No. 575/2013, as amended, concerning own funds apply; different prudential ratio apply depending on the type of activities which are carried out (for example, intermediaries that collect deposits are subject to stricter rules).

- *Approval requirements for the acquisition of qualified shareholdings*: The direct or indirect acquisition of a controlling stake, a considerable stake (*i.e.*, a stake ascribing voting rights or a share capital of at least 10%, 20%, 30% or 50%), or a stake enabling the holder to exercise a significant influence over the intermediary's management is subject to prior authorization from the Bank of Italy.

- *Corporate governance*: The members of corporate bodies are required: to have adequate experience in the financial sectors, to be without a criminal record, to be independent of family or professional connections with members of other corporate bodies, and to not hold similar offices in competing companies. Moreover, the corporate governance model must ensure the efficiency and fairness of the management and the effectiveness of the internal controls.

- *Policies and procedures concerning internal audit, risk management and outsourcing*: The internal controls must consist of rules, processes and policies that ensure compliance of the business with the applicable laws and regulations and that entail assessment of the suitability of the overall internal control system and the IT infrastructure on an ongoing basis.

- *Supervisory reporting*: The Bank of Italy performs its supervisory tasks through an extensive analysis of the information periodically provided (statistical, accounting and administrative).

Failure to meet these requirements typically results in the Bank of Italy taking disciplinary action, such as special inspections (in addition to the routine inspections that the authorities periodically carry out) and other types of assessments, which can result in criminal and administrative sanctions and, in the case of major breaches, revocation of the firm's authorization. Specifically, the authorization can be revoked for the following reasons: serious irregularities in the management of the intermediary or serious breaches of applicable law, regulations or statutory provisions; expected serious capital losses; and justified requests of revocation from the management bodies, the shareholders (*i.e.*, the resolution at an extraordinary shareholders' meeting), and/or the special administrator or liquidator.

The revocation of the authorization entails the winding up of the intermediary. During the winding up, which is governed by an ad hoc program, the Bank of Italy can authorize intermediaries to continue doing business on a pro-tempore basis, when required by specific circumstances that are assessed on a case-by-case basis. If the Bank of Italy determines an orderly liquidation is not possible, it may place the financial intermediary under compulsory administrative liquidation (*liquidazione coatta amministrativa*). Compulsory administrative liquidation entails,

among others, the dissolution and replacement of the corporate bodies and the appointment of a monitoring committee by the Bank of Italy.

The Bank of Italy is also entitled to carry out inspections to assess compliance with the applicable regulatory requirements, including in relation to the accuracy of the data provided, and/or to gain deeper knowledge of the intermediary and its business operations. If more areas for improvement are identified, the Bank of Italy can issue specific recommendations on the measures to be adopted; it then carries out a follow-up inspection to monitor progress. Conversely, if an irregularity or breach of applicable regulations is discovered, the Bank of Italy can begin a sanctioning procedure against the legal entity and/or the corporate officers deemed liable for the irregularity/breach.

Data protection

We are required to comply with the data protection regulatory framework provided by Regulation (UE) 2016/679 and the IDPC, taking into consideration the principles of lawfulness, correctness and relevance of data processing, and with the related best practices for collection of receivables, as set out in the Data Protection and Privacy Authority Act of November 30, 2005 as well as other decisions and guidelines issued by such authority (*inter alia*, guidelines for complying with data protection laws and regulations in the context of the collection of receivables (issued on April 18, 2016) and guidelines regarding with pre-recorded messages on phone calls made with the aim of the collection of receivables (issued on October 13, 2013)). The Data Protection and Privacy Authority is an independent governmental authority that was set up to protect fundamental rights in connection with the processing of personal data; it carries out the following tasks, among others:

- verifying that the data processing is carried out in compliance with the applicable law and regulations and the related notification, including in relation to the termination of processing and the retention of traffic data;

- receiving reports and complaints; it is also required to take the appropriate steps with regard to complaints lodged by other data subjects or by the associations representing them;

- instructing data controllers/processors to adopt measures as necessary or appropriate to ensure the processing complies with the applicable law and regulations;

- prohibiting unlawful or unfair data processing, in whole or in part, or blocking such processing operations, and taking other measures as provided for by applicable law; and

- giving opinions whenever required.

Failure to comply with the IDPC can entail administrative fines, criminal charges, breach of contract and damages actions, prohibition on processing personal data, and reputational damage.

Anti-money laundering

We are required to comply with Legislative Decree No. 231 of November 21, 2007, as amended, and the related implementing regulations, pointing out the anti-money laundering and antiterrorism duties. Failure to comply can entail, for both the individual involved and the firm, administrative fines, criminal charges, temporary prohibition on the corporate officers from holding similar positions in the firm, cease and desist orders, and public admissions of the breach.

Ireland

Regulation of credit servicing firms

The Consumer Protection (Regulation of Credit Servicing Firms) Act 2015 (the "**Irish CSA 2015**") entered into force in 2015. Pursuant to the terms of the Irish CSA 2015, certain borrowers of regulated entities (whose loans are sold) are afforded the same protection to which they would have been entitled had their loans not been sold. The Irish CSA 2015 makes certain amendments to the Central Bank Acts 1942 to 2015 (the "**CBAs**") and the Consumer Credit Act 1995 (the "**Irish CCA**"). The Irish CSA 2015 amended the CBA 1997 to expand the definition of "regulated financial service providers" to encompass a new type of regulated entity, namely credit servicing firms. A further amendment to the CBA 1997 was made by way of the Consumer Protection (Regulation of Credit Servicing Firms) Act 2018 (the "**Irish CSA 2018**") which had the effect of requiring otherwise unregulated legal title holders of credit agreements to also become authorized as credit servicing firms.

Credit servicing firms come within the definition of "regulated business" under the CBA 1997, as amended by the Irish CSA 2015 and Irish CSA 2018, and are therefore required under the CBA 1997 to obtain authorization from the CBI in order to provide credit servicing activities (as outlined below).

A credit servicing firm includes (i) a person who (a) undertakes credit servicing other than on behalf of a regulated financial service provider authorized, by the CBI or an authority that performs functions in an EEA country that are comparable to the functions performed by the CBI, to provide credit in Ireland, or (b) holds the legal title to credit granted under a credit agreement in respect of which credit servicing is not being undertaken by a person authorized to carry on the business of a credit servicing firm, and (ii) is a regulated financial services provider authorized to carry on the business of a credit servicing firm in accordance with the CBA 1997.

Under the CBA 1997, "credit servicing," in relation to a credit agreement, means holding the legal title to credit granted under the credit agreement, managing or administering a credit agreement, including: (i) notifying the relevant borrower of changes in interest rates or in payments due under the credit agreement or other matters of which the credit agreement requires the relevant borrower to be notified; (ii) taking any necessary steps for the purposes of collecting or recovering payments due under the credit agreement from the relevant borrower; and (iii) managing or administering any of the following:

- repayments under the credit agreement;
- any charges imposed on the relevant borrower under the credit agreement;

- any errors made in relation to the credit agreement;
- any complaints made by the relevant borrower;
- information or records relating to the relevant borrower in respect of the credit agreement;
- the process by which a relevant borrower's financial difficulties are addressed;
- any alternative arrangements for repayment or other restructuring;
- assessment of the relevant borrower's financial circumstances and ability to repay under the credit agreement;
- determination of the overall strategy for the management and administration of a portfolio or credit agreement; and
- maintenance of control over key decisions relating to such portfolio.

Under the CBA 1997, "credit servicing" also includes communicating with relevant borrowers in respect to any of the above listed matters.

Consumer Protection in Ireland

The Consumer Protection Act 2007 of Ireland (the "**CPA**") came into force in 2007. The CPA implements the Unfair Commercial Practices Directive in Ireland. Under the CPA, there are four principal heads of offenses: Unfair Commercial Practices, Misleading Commercial Practices, Aggressive Commercial Practices and Prohibited Commercial Practices.

In respect of most offenses (other than, for example, pyramid selling schemes), the CPA contains a defense of "due diligence." This defense is available where the accused proves the commission of the offense was due to a mistake or the reliance on information supplied to the accused or to the act or default of another person, an accident of some other cause beyond the accused's control, and that the accused exercised due diligence and took all reasonable precautions to avoid the commission of the offense. Due diligence means the standard of special skill and care which a trader may reasonably be expected to exercise towards consumers, commensurate with honest market practice and/or the general principle of good faith in trader's field of activity.

Under the CPA, both civil proceedings and criminal proceedings may be brought against a trader engaging in an unfair act or practice albeit this should not impact on the enforceability of the underlying contract itself.

Any affected person, including consumers, other traders, and the Competition and Consumer Protection Commission ("**CCPC**") may bring civil proceedings under the CPA for a prohibition order against a trader engaging in an unfair act or practice. The CCPC may also serve a compliance notice on a trader whom it considers to have engaged in an unfair commercial practice. A consumer aggrieved by an unfair commercial practice also has a right of action for damages.

The CCPC is also empowered to institute summary proceedings for breaches of the CPA relating to misleading, aggressive and prohibited practices. A trader found guilty of an offense on summary conviction will be liable to a fine not exceeding €3,000 and/or six months imprisonment for a first offense and a fine of €5,000 and/or 12 months imprisonment for subsequent offenses. Proceedings on indictment will be taken by the Director of Public Prosecutions (the "**DPP**"). On a first conviction on indictment an offending trader may be fined up to €60,000 and/or 18 months imprisonment and subsequent convictions carry a fine of up to €100,000 and/or 24 months imprisonment.

The Unfair Commercial Practices Directive is stated to be without prejudice to contract law and the rules of the validity, formation or effect of a contract. There is, as yet, no reported case law on the CPA.

Conduct of Business Rules applicable to Credit Servicing Firms

Code of Conduct on Mortgage Arrears

The CCMA is a legally binding code published by the CBI on the handling of mortgage arrears and pre-arrears. A pre-arrears case arises where a borrower contacts the relevant lender to inform them that he/she is in danger of going into financial difficulties and/or is concerned about going into mortgage arrears or when the relevant lender itself identifies that this is likely to occur.

The CCMA applies to the mortgage lending activities of lenders to borrowers in respect of their primary residence or in respect of the only residential property in Ireland owned by the borrower and accordingly will apply to the activities of Mars Capital Ireland in its capacity as a credit servicing firm, in its servicing of such mortgages. The CCMA sets out what the lender must do when managing mortgage arrears and pre-arrears cases and provides for, among others, the actions a lender is required to take to address mortgage arrears before resorting to repossession of the relevant property.

As the CCMA applies to borrowers in respect of their primary residence or where it is the only residential property owned by them in Ireland, the protections afforded by the CCMA should not apply to buy to let mortgages.

Consumer Protection Code

The revised Consumer Protection Code (the "**CPC**") came in to force in 2012 and was subsequently amended in 2015, 2016, 2017 and 2019. The Consumer Protection Code sets out how lending institutions must deal with personal consumers, who are defined as natural persons acting outside his/her business, trade or profession, and with consumers, who are natural persons or groups of natural persons acting for personal and/or business purposes or incorporated bodies having an annual turnover of €3 million or less in the previous financial year (provided that such body is not a member of a group of companies having a combined turnover of greater than the said €3 million). Mars Capital Ireland will be subject to compliance with the requirements of the CPC in its capacity as a credit servicing firm. The CPC does not apply to a mortgage loan to which the CCMA applies, but it could apply to a mortgage not in respect of a primary residence, including a buy to let mortgage.

Lending to Small- and Medium-Sized Enterprises (SMEs)

The Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Lending to Small- and Medium-Sized Enterprises) Regulations 2015 were published in 2015. In 2016, the Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Lending to Small and Medium-Sized Enterprises) (Amendment) Regulations 2016 were published (the "**SME Regulations**"). The SME Regulations replaced the existing SME Code, from July 1, 2016, for regulated lenders. On January 25, 2018, further technical amendments to the SME Regulations were published concerning the definitions of SMEs and took effect immediately. Due to the introduction of new provisions in the SME Regulations in respect to the arrears management and complaints handling of SMEs, Mars Capital Ireland will be subject to compliance with the requirements of the SME Regulations in its capacity as a credit servicing firm if it is servicing SME loans originated after July 1, 2016.

Mars Capital Ireland

In Ireland, in order to manage or service credit agreements in respect of consumer credit and/or mortgage credit (or post July 1, 2016, SME credit), Mars Capital Ireland must have and maintain an authorization granted by the CBI under Part V of the CBA 1997 (as amended by the Irish CSA 2015 and Irish CSA 2018) to provide credit servicing activities. In addition, Mars Capital Ireland must comply with statutory obligations under the GDPR and the Irish Data Protection Acts and any binding guidance and/or codes or practice issued by the DPC or the EDPB.

Anti-Money Laundering

Mars Capital Ireland is a regulated financial service provider authorized under Irish law and so it is required to have policies, procedures and internal controls in place to prevent and detect money laundering and terrorist financing, in order to comply with the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010, as amended (the "**CJA 2010**") (which transposes Directive (EU) 2015/849 (as further amended by Directive (EU) 2018/843) into Irish law).

Our Risk Management and Compliance

Risk Management Framework

At the center of our risk management framework is our values and the culture embedded within the Group. Effective risk management is closely aligned to our strategic goal of building better financial futures, while our three lines of defense model enables all colleagues to own and manage risk in a manner, which supports well-informed decision-making with a view to mitigating risks.

Our enterprise-wide risk management framework defines a common approach across the whole organization. The framework is based upon our three core risk categories: strategic, financial and operational, with related details cascading from these areas, and is continually monitored and reviewed to ensure it remains suitable for the size, scale and complexity of our business. This framework includes:

- Embedding the three lines of defense throughout the firm;

- Ensuring clarity of roles and responsibilities;
- The establishment of defined risk appetite levels;
- Risk management aimed at understanding risks and enabling proportionate risk mitigation plans;
- Controls to address new and emerging risks;
- Recognition and maintenance of operational risk and resilience plans; and
- Escalation and risk reporting.

Governance of Risk Management

The risk framework and risk management is governed via our Risk Committee, which is supported by the Group Executive Risk Committee and country risk committees alongside functional risk reports. We continue to embed and mature risk management processes which effectively identify, report, measure and manage risk. Risk committees, within each jurisdiction that we operate, continue to be run independently and focus on our country-based regulatory status. This approach allows for risks to be raised and mitigated with accountability where it is needed.

Key areas of our risk framework are covered by the risk and information security teams who discharge their responsibilities with strong policies and procedures dealing with, among other matters, enterprise and operational risk, investment and financial risk, regulatory compliance and cyber risk, information security and data privacy.

Delivering on our commitments relies on the ability to successfully identify, assess, respond, monitor and report on risks and opportunities. There is an ongoing focus on the top risks which could impact the business, alongside horizon scanning and monitoring of macro, geo-political and other emerging risks that may affect the business or wider sector in the future. People and infrastructure commitments are in place to support these processes, ensuring increased consistency across the Group. We believe that our risk culture, aligned to our values, is a commercial differentiator and our ability to deploy Group-wide or country-specific expertise, when required, is a core element of our approach.

The ongoing investment in a risk management system facilitates the evolution of our risk culture, helping to support a proactive and consistent approach to the identification and management of risks. Notably, it provides transparency and allows for actions across all three lines of defense to be addressed promptly and managed to completion via a single data source, with additional oversight through the risk committee structure, audit committee and via local regulated board meetings to gather additional insights on their respective control environments.

Three lines of defense model

We operate a three lines of defense model that allows us to operationalize our approach, driving clear accountability into the first line, with senior managers (as defined in "*Regulation and Compliance—Regulatory Framework—United Kingdom—Senior Managers and Certification*

Regime") retaining approved person status where applicable. This enables a formalized approach to responsibility and ensures embedded behaviors support the long-term sustainability of the business through increased accountability, which is exercised within a framework of high governance standards. This has been particularly evident with the establishment of the Senior Managers and Certification Regime in the UK, which has provided rigor to the structured approach already adopted. It has formalized the basis around which decisions are taken and executed whilst ensuring we maintain a focus on customer conduct issues throughout all parts of the business. This is an approach that runs through our culture and values and is, therefore, evident in our businesses, which operate in different regulatory regimes. A summary of the roles and responsibilities relevant to each of the three lines of defense model are shown below:

First line business owners

- Responsible for ownership and accountability of risk management;
- Day-to-day ownership, management and reporting of risks;
- First line implementation and quality control to ensure adherence to risk framework and processes; and
- Responsible for control environment.

Second line risk and compliance

- Provide oversight and challenge;
- Act as a business partner and regulatory interface by way of providing advice, consultation and communication;
- Develop and maintain risk framework and partnership with first line business owners; and
- Provide oversight, monitoring and challenge to provide assurance to relevant boards and governance forums.

Third line internal audit

- Provide independent assurance through formal reviews; and
- Review and challenge the first and second lines of defense.

The third line defense internal audit activity is delivered by the Group Head of Internal Audit with support from country audit teams and an external outsource provider, Deloitte LLP. The Group Head of Internal Audit reports to the audit committee, which ensures a clear distinction

between responsibilities in the second and third lines, and is an attendee at the Group Executive Risk Committee and the Risk Committee.

Risk-related focus risk during 2020

The assessment and management of risks arising from the COVID-19 pandemic dominated the risk management agenda in 2020. Due to the wide-ranging nature of the risks posed, these elements have been addressed across all areas of the risk profile, including, at different stages, those that related to our customers, clients, colleagues, financial risks or investment strategy. See "*Risk Factors—Other Risks Relating to our Operations— Our business, financial condition, cash flows and results of operations have been and may continue to be adversely affected by the COVID-19 pandemic.*"

In addition, the following areas were of particular focus during 2020:

Development of the Fund and Investment Management business

Risk and compliance teams were fully involved throughout the process of launching and developing the Fund and Investment Management business in line with our stated ambition to realize opportunities to deploy third-party capital. In 2020, our focus was on investment risk appetite monitoring and reporting with the emergence of the COVID-19 pandemic, ensuring regulatory compliance matters were addressed with internal and external experts working in tandem, enhancing processes to support the operating model, and ensuring governance and delegated authorities were restructured to meet the new requirements.

Brexit

We maintained a watching brief on Brexit developments during 2020, whilst continuing to benefit from our multi-jurisdictional base provided by our existing footprint. Whilst this meant cross-border regulatory issues were less challenging given our individual country-based permissions and relationships, Brexit still posed a risk to data flows as well as the impacts on working and travel arrangements for colleagues. The COVID-19 pandemic may have reduced the immediacy of the latter's challenge, however it was still prevalent, with targeted information provided to colleagues on the implications of Brexit for them and their personal circumstances. We continued to take the necessary steps to prepare ourselves based on the work of internal subject matter experts supported by external advisors. The individual operating licenses held by our individual businesses, alongside our balance sheet strength, meant that we were well positioned to navigate a range of Brexit outcomes. See "*Risk Factors—Other Risks Relating to our Operations—Legal, political and economic uncertainty surrounding Brexit and the nature of the future relationship between the UK and the European Union is likely to be a source of instability in international markets, could cause disruption to and create uncertainty surrounding our business and result in new regulatory challenges and costs.*"

Regulatory scrutiny

Our widespread footprint, both geographically and in terms of asset class coverage, means that we experience a broad spread of regulatory interactions across our compliance framework. This involves all parts of the business, both functionally and at all levels, which means strong

engagement and deep understanding of our regulatory role as well as colleagues' individual responsibilities. Regulatory compliance is one of the pillars of our business; learning from the best-in-class across the Group to develop and achieve the same standards in all businesses and placing the customer journey and customer impact assessments at the heart of how we operate.

Whilst other regulators move progressively towards the approach, standards and framework of the FCA in the UK, we are well placed to meet and surpass these standards elsewhere because of the approach we already adopt. The embedding of the Senior Manager and Certification Regime during 2020 is a prime example of this approach that was adopted at Group level. While we continue to maintain full focus on future developments from the Debt Respite Scheme Regulations in the UK to the Senior Executive Accountability Regime in Ireland and the AML Directives which affect all of the jurisdictions in which we operate. COVID-19 brought the treatment of customers, and especially those who may be more vulnerable, into sharp focus for all organizations. For us, this represented a continuation of our approach to treating customers fairly and responding to individual needs and so we were well positioned to work with our customers and regulators as the pandemic evolved.

Information security and operational resilience

A fundamental area of operational risk management and operational resilience is our approach to information security. We benchmark our minimum information security standards against the international standard of good practice for information security, ISO 27001. Our framework involves identifying our critical data and applying the relevant protection controls to safeguard such data. We acknowledge, however, that the cyber-risk landscape is continually evolving, and in response to this, we are investing in our people, processes and technology in order to protect our colleagues, customers and clients, as well as to strengthen our ability to detect, respond to, and recover from cyber threats. Given that cyber-attacks are inevitable, we continue to focus on deploying resources, training our personnel and building up our technological resilience. We utilize a number of systems, such as Netscope, Mimecast and Okta to respond to potential cyber threats made via the web and our internal email and authentication systems.

Although cyber risk forms a critical component of our operational resilience and scenario testing, we acknowledge that it is not the only business disruptor that can have a significant impact on our operations. As such, the development and strengthening of our business operating model encompasses the development of our culture, processes and systems such that our business is best placed to perform in line with our strategy in the face of disruption, regardless of the source of such disruption. This holistic approach to the development of the systems involved in our business will enable us to anticipate, protect and plan for operation recovery. Our approach to business continuity for our IT infrastructure is to ensure that our systems are "always on," enabled by our use of cloud-based data centers. As such, in the event of a system breakdown, we expect to be able to recover all systems within approximately two hours with only minimal transaction history data loss.

MANAGEMENT

Parent

Board of Directors

The following table sets forth the names, ages and positions of the directors of the Parent as of the date of this Offering Memorandum.

Name	Age	Position
Jonathan Mitchell	36	Director
Jonathan Rosen	50	Director
Philip Shepherd	51	Director
Andrew Fisher	63	Director

Set forth below is a brief description of the experience of the individuals who serve as members of the board of directors of the Parent and the Senior Management Committee.

Jonathan Mitchell, 36, is a director of the Parent and of the Issuer. Mr. Mitchell joined TDR Capital in May 2014. Prior to joining TDR Capital, Mr. Mitchell worked at Barclays as Vice President in the Mergers and Acquisitions team. Previously, he worked at Citi in the Media and Telecommunications team. Mr. Mitchell graduated from Bristol University with a degree in Economics and Finance.

Jonathan Rosen, 50, is a director of the Parent and the Issuer. Mr. Rosen joined TDR Capital in November 2006. Prior to joining TDR Capital, he was a Partner at Hampshire Equity Partners for nine years, where he was responsible for sourcing, executing and managing private equity and distressed debt investments. Previously, Mr. Rosen worked at BT Capital Partners. He has over 25 years of private equity and principal investing experience. Mr. Rosen graduated from Duke University with a degree in Economics and Public Policy Studies.

Philip Shepherd, 51, is a director of the Parent and was appointed Group Chief Commercial Officer following the Acquisition (see "—*Senior Management.*" below). Mr. Shepherd is responsible for financial performance, HR, capital allocation and treasury functions. Mr. Shepherd joined Arrow in 2019 as Group Treasurer and was instrumental in the Group's response to the COVID-19 pandemic. Mr. Shepherd has over 30 years' experience in finance and treasury and has held a number of senior treasury and finance roles in different industries and organizations. Prior to joining Arrow, Mr. Shepherd was Group Treasurer at Provident Financial plc for ten years and was Financial Controller and Treasurer at Cheshire Building Society, before becoming Head of Finance for Cheshire and Derbyshire Building Societies following their takeover by Nationwide Building Society. Mr. Shepherd has also worked in the retail and leisure sectors. Mr. Shepherd is a qualified Chartered Accountant, an associate member of the Corporate Treasurers Association and holds an honors degree in Mathematics from the University of Sheffield.

Andrew Fisher, 63, is a director of the Parent. Until December 2018, Mr. Fisher was the finance director of FTSE100 Provident Financial plc, having been appointed in 2006. He has spent over 20 years as finance director of major listed companies where he has accumulated broad

international experience and a considerable depth of knowledge across a variety of consumer credit asset classes. Prior to working in the industry, he was a partner at Price Waterhouse LLP. Mr. Fisher is a chartered accountant and holds a degree in Accounting from the University of Leeds.

Senior Management Committee

The Senior Management Committee is responsible for the overall management of the Group, including but not limited to, formulating strategy, defining governance structures and risk appetite to ensure adherence to all applicable regulations, monitoring and delivering business performance, implementing structures to ensure the operational efficiency and effectiveness.

The following table sets forth the names, ages and positions of the Senior Management Committee as of the date of this Offering Memorandum.

Name	Age	Position
Zachary Lewy	47	Founder, Chief Executive Officer and Chief Investment Officer
Jonathan Mitchell	36	Director
Jonathan Rosen	50	Director
Philip Shepherd	51	Director
Andrew Fisher	63	Director
Monique O'Keefe	48	Group Chief of Governance and Risk

Set forth below is a brief description of the experience of the individuals who serve as members of the Senior Management Committee, and whose biographies were not detailed above in "*—Parent—Board of Directors*".

Zachary Lewy, 47, founded Arrow Global in 2005. Mr. Lewy currently serves as Group CEO. Mr. Lewy has over 20 years of executive experience in investment management and asset servicing. He was the CEO of Arrow Global from its inception in 2005 until 2011 when he changed the structure to focus on running the investment business. Mr. Lewy led the fundraising process for the ACO 1 fund, the largest inaugural private credit fund raise globally in 2020 and the fourth largest private credit fundraise overall in Europe in 2020. Prior to joining Arrow, Mr. Lewy was an Officer of Sallie Mae, a Director at Vertex (the BPO division of United Utilities), and a Founder and Executive Director of 7C (a UK BPO company acquired by Vertex). Mr. Lewy was previously the Chair of the UK Debt Buyers Association and was named an Ernst and Young Entrepreneur of the Year in 2010. Mr. Lewy graduated from Princeton University with a Bachelor of Arts in Economics with Honors and a Certificate in Applied and Computational Mathematics with Honors.

Monique O'Keefe, 48, currently serves as Chief of Governance and Risk. With 20 years' experience in finance and law, Ms. O'Keefe is co-founder of the investment consultancy business, Kairos Wealth Limited. Prior to moving to Jersey, Ms. O'Keefe specialized in structuring complex financing deals for international investment banks in London and New York, most recently at Goldman Sachs as a Senior Banker and Executive Director, and before then as a Director at Merrill Lynch. Ms. O'Keefe has experience working with a variety of organizations spanning government, international investment banks, sovereign wealth funds, major financial institutions and

international businesses. Currently Ms. O’Keefe is also the Deputy Chair of the Board of Commissioners of the JFSC and a non-executive director of a private equity fund (Actera Group Limited), a London-listed property fund (Phoenix Spree Deutschland Limited) and a hedge fund (Cevian Capital Limited). Ms. O’Keefe began her career as a lawyer in Australia, before relocating to London to work for the law firm, Clifford Chance. Ms. O’Keefe holds a Bachelor of Law, a Bachelor of Arts and a Masters of Law from University of Queensland, Australia.

Senior Management

The Group CEO has overall responsibility for the Group’s executive management and for ensuring implementation of the strategies and policies of the board of directors of the Parent within the approved budgets and timescales. The following table sets out the names and positions of the Parent’s senior management:

Name	Age	Position
Zachary Lewy	47	Founder, Chief Executive Officer and Chief Investment Officer
Philip Shepherd	51	Group Chief Commercial Officer
Andrew Grimditch	51	Group Chief Financial Officer
Kamran Anwar	52	Managing Director of Capital Formation
John Calvao	49	Fund Principal
Richard Roberts	46	Managing Director of Origination and Corporate Development
Marc Fuhrmann	35	Principal for Credit Opportunities
Davide Stecchi	45	Managing Director of Underwriting
Monique O’Keefe	48	Group Chief of Governance and Risk

The following is a brief description of the experience of each of the members of the Parent’s senior management team who do not serve on the Parent’s Board or the Senior Management Committee.

Andrew Grimditch, 51, currently serves as Group CFO. Mr. Grimditch joined Arrow in 2019 and was previously Finance Director at Electra Private Equity playing a key role insourcing and building all executive functions following the decision to move away from the external investment manager. Prior to that, Mr. Grimditch held a number of roles at Thomas Cook, initially helping to stabilize the financial reporting process before moving to be the finance lead in establishing a stand-alone holiday service division with a commercial focus. This followed a number of years at FCC Environment in Financial Controller and Business Development roles. Mr. Grimditch trained and worked at Deloitte for 11 years in assurance and advisory services which included transaction support work, secondments to clients and a period abroad. Mr. Grimditch holds a B.A. degree in Physics from Oxford University.

Kamran Anwar, 52, currently serves as the Managing Director of Capital Formation. Mr. Anwar joined us in March 2021 and brings with him a wealth of experience in financial services having spent 23 years at Citigroup in leadership roles across the Middle East, Europe and Asia covering M&A, Transaction Banking, Private Equity, Real Estate and Corporate Strategy. Most recently, Mr. Anwar spent five years in the technology industry, where he worked with SS&C

Technologies, leading their Private Equity Services franchise in EMEA. Mr. Anwar holds a Bachelor of Arts degree in Economics from Bard College in New York.

John Calvao, 49, currently serves as Fund Principal following the Acquisition. Mr. Calvao's role as Co-Head of the Fund follows from his two-year role as Italy Country Manager, creating and leading Arrow's Italian strategy. During the same period, he played a key role in raising the ACO 1 fund. Joining Arrow in 2010, Mr. Calvao was Arrow's Portugal Country Manager and Whitestar CEO. Prior to that, Mr. Calvao gained more than 15 years' experience across various international capital markets institutions, including as COO of MIAC Assurance Corporation, Head of Operations at SCA, which he joined after an independent consultant role overseeing the build out of the first independent, NPL servicing company in Portugal, and CIO at Clayton. Mr. Calvao began his career at MBIA. Mr. Calvao holds a Bachelor of Arts degree from Manhattanville College in New York.

Richard Roberts, 46, currently serves as Managing Director of Origination and Corporate Development and will serve as Fund Principal for the upcoming ACO 2 fund. Mr. Roberts joined Arrow in 2017 after 19 years at GE Capital in Private Equity and M&A roles. Mr. Roberts is responsible for Arrow Group Origination and M&A and has led the Mars acquisition and the acquisitions of Europa Investimenti, Whitestar Italy, Drydens & Norfin platforms, and has been heavily involved in managing subsequent origination flows. At his time at GE Capital, Mr. Roberts was a senior member of the GE Capital M&A/Corporate Development team responsible for the sale of upwards of $30 billion platform/portfolio sales in the 2012-2017 GE Capital disposal plan. Mr. Roberts holds a Bachelor of Arts degree in Modern Languages & European Studies and a Master of Arts (Distinction) in Political Science, both from the University of Bath.

Marc Fuhrmann, 35, currently serves as Principal for Credit Opportunities. Prior to joining Arrow, Mr. Fuhrmann spent 14 years at a large US private equity firm, most recently as a partner responsible for European real estate. Throughout his career, Mr. Fuhrmann has been responsible for sourcing, executing, and managing investments across a wide range of real estate strategies in Europe and the U.S. This has included equity investments, NPLs, direct lending, and structured products. Mr. Fuhrmann holds a Master in Business Administration from London Business School and an M.Sc. in Finance from the University of Texas at Dallas.

Davide Stecchi, 45, currently serves as Managing Director of Underwriting. Mr. Stecchi has over 17 years of financial services experience with a specialization in real estate investments across Europe. Prior to joining Arrow, Mr. Stecchi spent seven years at Hudson Advisors, the asset management and underwriting platform of diversified asset manager Lone Star as head of Continental Europe. Prior to that, Mr. Stecchi covered several positions in Archon Group, the servicing and underwriting platform of distressed real estate and non-performing loans and s subsidiary of Goldman Sachs. Within Arrow's fund management business, Mr. Stecchi is responsible for underwriting investment opportunities, on behalf of the Fund, in the real estate and credit space across the UK, Ireland, the Netherlands, Italy and Portugal. Mr. Stecchi holds a degree in business and economics from Bocconi University in Italy.

Issuer

Board of Directors

The Issuer is a public limited company incorporated under the laws of England and Wales, and a wholly owned finance subsidiary of the Parent. The Issuer's registered business address is 20 Bentinck Street, London, United Kingdom, W1U 2EU.

The following table sets forth the names, ages and positions of the directors of the Issuer as of the date of this Offering Memorandum.

Name	Age	Position
Philip Shepherd	51	Director
Richard Roberts	46	Director

For further details about the Issuer's directors, see "*—Parent—Board of Directors*" and "*—Parent—Senior Management*" above.

Operational Committees

As part of its risk management framework, the Target has operated a number of other operational committees, as more fully described below. A strategic review is being undertaken, which may result in changes to the business, which may include changes to the organizational structure, the committee structure and / or the governance framework. Further, following re-registration of the Target as a private company, there will be further changes to its organizational framework, management and governance structure.

Management Committee

The Management Committee is chaired by the Group CEO. It meets monthly and supports the Group CEO in the overall management of the business including strategy, business performance, portfolios and pipeline, finance and risk, regulatory, business development, human resources and culture.

Commercial Committee

The Commercial Committee is chaired by the Group CEO. It meets monthly and governs the strategy and management of our operating businesses, focusing on the supervision of key strategic areas and programs and financial performance.

Strategic Change Board

The Strategic Change Board is chaired by the CFO. The Strategic Change Board meets monthly and oversees the management of our strategic change initiatives, including ensuring change is delivered in adherence to our policies, prioritizing the project pipeline and overseeing project delivery and performance to agreed targets.

*Proprietary Investment Committee ("**PIC**")*

The PIC is tasked with reviewing portfolio acquisition transactions by evaluating an investment memorandum prepared by teams involved in the underwriting process. The committee is responsible for determining whether to proceed with the purchase of a portfolio.

Asset Management & Servicing Committee

The Asset Management & Servicing Committee is chaired by the Group CEO. The committee is responsible for the review and approval of all internal and external asset management and servicing contracts.

*Portfolio Review Committee ("**PRC**")*

The PRC is chaired by the Group CEO. The committee undertakes oversight, review and approval of updated ERC forecasts for the Group including a more detailed analysis of the most material portfolios, those on performance watch lists and portfolios with the most significant changes.

Portfolio Performance Strategy Review Committees (country specific)

The Portfolio Performance Strategy Review Committees for each country will comprise representatives from our Fund and Investment Management and Asset Management and Servicing businesses, finance, risk and compliance teams. The committee provides oversight of the Balance Sheet Cash Collections performance of portfolios across the Group and approves portfolio strategic initiatives.

Group Executive Risk Committee

The Group Executive Risk is chaired by the Group CEO. The committee meets quarterly and provides oversight of the key risk and governance issues within the Group and to support, advise and make recommendations to the Risk Committee.

Sustainability Committee

The Sustainability Committee is chaired by the Group CEO. The Sustainability Committee is responsible for driving and measuring the delivery of the Group's ESG initiatives. See "*Business—Environmental, Social and Governance ("ESG") focus driving better operational outcomes.*"

*Asset and Liability Committee ("**ALCO**")*

The ALCO is chaired by the Group CFO. The ALCO meets quarterly and discusses the competitive and economic context in which decisions are taken. The ALCO also assesses capital allocation, portfolio concentration limits and monitors financial risk management (including liquidity risk, market risk and counterparty risks) and tax risk management. Furthermore, it monitors compliance with the Target Group's treasury and tax policies. The ALCO makes recommendations to the Target Group's executive committee in order to manage these risks effectively. Lastly, the ALCO reports policy compliance to the Target's board of directors on a monthly basis and is expected to report to Holdco's board of directors in the future.

Model Risk Committee

The Model Risk Committee is chaired by the Group Head of Enterprise and Portfolio Risk Management. The Model Risk Committee provides oversight of our material models through each phase of the model lifecycle (design and implementation of new models, calibration and validation), monitors the performance of models deemed by the Model Risk Committee to be material to the running of our businesses and investigates material deviations in performance.

Fund Manager - Governance and Committees

Given the role, responsibilities and regulations governing the Fund Manager, further governance arrangements exist within the Fund Manager. The board of directors of the Fund Manager comprises one independent chairperson, two appointees from AGG and two appointees from Saltgate Limited, a Jersey regulated administrator and licensed to act as a manager of a managed entity (such administrator, the "**MoME**").

The Board has a number of sub-committees that are responsible for appraising and approving investment decisions by the Fund Manager (i.e., the Investment Committee), reviewing, monitoring and approving the valuation of investments on a quarterly basis (i.e., the Valuation Committee), reviewing and monitoring performance of the asset management and servicing arrangements for each investment (i.e., the Servicer Engagement Committee) and reviewing the financial statements, assessing audit issues and process, monitoring accounting, tax and treasury matters (i.e., the Finance and Audit Committee).

PRINCIPAL SHAREHOLDERS

The Issuer is a public limited liability company incorporated under the laws of England and Wales and a wholly owned subsidiary of the Parent. Each of Finco and Bidco are private limited liability companies incorporated under the laws of England and Wales and are wholly owned subsidiaries of the Parent. The issued and outstanding share capital of the Parent is indirectly controlled by TDR Capital.

The Issuer, Finco and Bidco were incorporated as holding companies for the purpose of the Acquisition of the Target Group by entities controlled by TDR Capital. Following re-registration as a private company subsequent to the completion of the Acquisition, the Target is a private limited company incorporated under the laws of England and Wales. Following the completion of the Acquisition, Bidco owns 100% of the outstanding voting shares of the Target.

TDR Capital is a leading private equity firm with over €10 billion of assets under management as of August 31, 2021 and is based in the UK. TDR Capital has an experienced team of investment professionals and operating partners and has a low-volume investment strategy based on principles developed by the investment team over the past decade. TDR Capital seeks to spend significant resources on each investment and to focus on operational excellence through a tested and integrated operating partner model.

Intense pre-investment analysis and post-investment involvement mean that TDR Capital is selective, typically making only one to three investments a year. TDR Capital takes an active role in overseeing the operations of its investments, working in partnership with management through board representation and professional support.

To date, TDR Capital has completed multiple investments across the funds, business and financial services sectors. Some examples of current and prior TDR Capital investments include TDR's successful investments in Lowell Group, LeasePlan and Phoenix Group. TDR Capital helped oversee the growth of Lowell Group, a debt purchaser of unsecured debt, as its owner from 2011 until 2015, and developed an in-depth understanding of the value drivers and regulation relevant to the industry. TDR Capital's experienced team of investment professionals and operating partners has had a longstanding historical focus on financial services and business services, as evidenced by its March 2016 investment in LeasePlan, the world's leading fleet management and driver mobility company.

In connection with the Transactions, TDR Capital has injected £513 million indirectly in the form of equity into the Parent as part of the Equity Contribution.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

From time to time, we may enter into transactions with certain related parties or our affiliates in the ordinary course of business. These agreements and transactions are carried out on arm's-length terms. Set forth below is a description of certain of our material related party transactions.

Management Equity Plan

Following the Acquisition Completion Date, Bidco intends to review the Target's management, governance and incentive structure. Bidco has not entered into, and has not had material discussions on the terms of any form of incentivization arrangements with members of the Target's management, but may have discussions and enter into such discussions for certain members of the Target's management team following the Acquisition Completion Date.

DESCRIPTION OF OTHER INDEBTEDNESS

The following is a summary of the material terms of our principal financing arrangements after giving effect to the Transactions. The following summaries do not purport to be complete or describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the underlying documents. In addition, capitalized terms not otherwise defined in this section shall, unless the context otherwise requires, have the same meanings set out in the underlying debt documents, as applicable. Capitalized terms defined in this section shall specifically have the meaning given to them in this section and not in the other sections of this Offering Memorandum.

Revolving Facility Agreement

The Revolving Facility Agreement dated October 6, 2021 provides for a multicurrency revolving credit facility in an aggregate amount of £285,000,000 (the "**Revolving Facility**"). The Revolving Facility may be drawn by way of cash advances or the issue of letters of credit or ancillary facilities. The Revolving Facility is permitted to be used for financing, directly or indirectly, in whole or in part, any amount payable under or in connection with the Acquisition and related transactions, the refinancing, purchasing or otherwise discharging any indebtedness of the Target Group and transaction costs. In addition, the Revolving Facility may be used towards financing or refinancing the general corporate purposes and/or the working capital requirements of the restricted group (including for any acquisitions or capital expenditure).

In addition, the Parent, in its capacity as obligors' agent may elect to request additional facilities either as a new facility or as additional tranches of the Revolving Facility (the "**Revolving Incremental Facilities**"). The Parent and the lenders in respect of the Revolving Incremental Facilities may agree to certain terms in relation to the Revolving Incremental Facilities, including the margin and the termination date (subject to parameters as set out in the Revolving Facility Agreement). The indebtedness incurred under the Revolving Incremental Facilities must be otherwise permitted under the Revolving Facility Agreement.

Maturity and Availability Period

The Revolving Facility matures 54 months after the Acquisition Completion Date.

The Revolving Facility is available to be drawn from and including the date of the Revolving Facility Agreement up to and including one (1) month prior to the maturity date specified in the paragraph above.

Interest and fees

Loans under the Revolving Facility Agreement initially bear interest at the aggregate of 3.25% per annum and (in the case of Loans in USD) LIBOR, or (in the case of loans in Euros) EURIBOR or (in the case of Loans in pounds sterling) SONIA-based rate plus a credit adjustment spread, as applicable.

Following expiry of two full quarter periods from the date of first drawdown of the Revolving Facility, the margin for each loan under the Revolving Facility Agreement is subject to

adjustment by reference to the consolidated senior secured leverage ratio as shown in the quarterly financial statements or, as the case may be, the annual financial statements for the relevant period and the related compliance certificate, to equal the rate per annum set out in the following table:

Consolidated senior secured leverage ratio	Revolving Facility margin (% p.a.)
Greater than 4.00:1.00	3.25
Equal to or less than 4.00:1.00 but greater than 3.50:1.00	3.00
Equal to or less than 3.50:1.00	2.75
Following an initial public offering	2.50

The margin on any loans under the Revolving Incremental Facilities will be agreed between the Parent and the relevant lenders.

If LIBOR, EURIBOR or SONIA (as applicable) is less than zero, LIBOR, EURIBOR or SONIA (as applicable) shall be deemed to be zero in respect of any loan under the Revolving Facility Agreement.

Commitment fees are payable on the aggregate undrawn and uncanceled amount of the Revolving Facility for the relevant periods set out in the Revolving Facility Agreement at a rate of 30% of the applicable margin per annum. Generally, the commitment fee is payable quarterly in arrears, on the last day of availability of the Revolving Facility and if cancelled, on the cancelled amount of the relevant lender's commitment under the Revolving Facility at the time such cancelation is effective.

Default interest is calculated as an additional 1% per annum on any overdue amount. The Parent is also required to pay (or procure the payment of) customary agency fees in connection with the Revolving Facility.

Repayment

All outstanding amounts under the Revolving Facility are required to be repaid on the relevant maturity date referred to above.

Loans under the Revolving Facility must be repaid on the last day of the interest period relating thereto, subject to a netting mechanism against new loans under the Revolving Facility to be drawn on such date.

The termination date in respect of any Revolving Incremental Facilities will be the date agreed between the Parent and the relevant lenders.

Prepayment

The Revolving Facility Agreement allows for voluntary prepayments (subject to a minimum amount and certain conditions).

The Revolving Facility Agreement also permits each lender to require the mandatory prepayment of all amounts due to that lender upon a change of control of the Parent or a sale of all or substantially all of the assets of the Group.

Guarantees

The Revolving Facility is guaranteed by the Guarantors and the Issuer.

The Revolving Facility Agreement includes a "Guarantor Coverage Threshold" (being, subject to certain exceptions, the requirement that the consolidated EBITDA of the Guarantors represents not less than 80% of the consolidated EBITDA of the members of the Restricted Group excluding any member of the Restricted Group that is not required to become a guarantor in accordance with the Agreed Security Principles). If the Guarantor Coverage Threshold is not met when tested by reference to delivery of the annual financial statements of the Parent for the relevant year, within 60 days, each Material Company (as defined herein) that is not already a guarantor (together with such other members of the Restricted Group within Security Jurisdictions (as defined herein) as necessary) shall become guarantors under the Revolving Facility Agreement in order to meet the Guarantor Coverage Threshold at that time. "Material Company" is generally defined under the Revolving Facility Agreement to include, among other things, any member of the Restricted Group that is incorporated or established in a Security Jurisdiction or the Portuguese Entities (as defined herein) and that has earnings from ordinary activities before interest, tax, depreciation amortization and exceptional items representing more than 5% of consolidated EBITDA of the Restricted Group. "Portuguese Entities" are defined in the Revolving Facility Agreement as AGHL Portugal Investment Holdings, S.A. and Whitestar Asset Solutions, S.A., and "Security Jurisdiction" is defined in the Agreed Security Principles as being England and Wales, Guernsey, Jersey and the Netherlands. The Agreed Security Principles provide, among other things, that no member of the Restricted Group incorporated or established outside of a Security Jurisdiction shall be required to provide any guarantee or security (unless such member is a borrower of the Revolving Facility) and no member of the Restricted Group shall be required to provide any security in respect of any shares or other ownership interests held in any member of the Restricted Group incorporated or established outside of a Security Jurisdiction or any member of the Restricted Group which is not an obligor under the Revolving Facility Agreement, and that the Portuguese Entities shall only be required to provide guarantees (not security).

Security

The Revolving Facility Agreement is secured by the same security interests granted as security for the Notes. See "*Description of the Notes—Security*."

Representations and Warranties

The Revolving Facility Agreement contains certain customary representations and warranties (subject to certain exceptions and qualifications and with certain representations and warranties being repeated), including (but not limited to) status, binding obligations, non-conflict with other obligations, power and authority, authorizations, no default, governing law and enforcement, sanctions and anti-corruption laws.

Covenants

The Revolving Facility Agreement contains certain of the incurrence covenants and related definitions (with certain adjustments) that are included in the section entitled "*Description of the Notes—Certain covenants*" and "*Description of the Notes—Certain covenants*." In addition, the Revolving Facility Agreement contains a financial covenant (see "*—Financial Covenant*").

The Revolving Facility Agreement also contains a "notes purchase condition" covenant. Subject to certain exceptions set out in the Revolving Facility Agreement, the Parent may not, and shall procure that no other member of the Restricted Group will, repay, prepay, purchase, defease, redeem or otherwise acquire or retire the principal amount of the Notes (but excluding any amount outstanding under any "finance document" entered into in respect of the Revolving Facility Agreement) prior to its scheduled repayment date in any manner which involves the payment of cash consideration by a member of the Restricted Group to a person which is not a member of the Restricted Group. The exceptions to such covenant include, *inter alia*, generally, payments that do not exceed 50% of the aggregate original principal amount of the Notes in existence as of the date of their issuance or incurred at any time after their issuance.

The Revolving Facility Agreement also requires certain members of the Restricted Group to observe certain affirmative covenants, including covenants relating to maintenance of Guarantor Coverage Threshold on an annual basis (see "*—Guarantees*" above) and further assurance with respect to security interests granted.

Certain of the covenants under the Revolving Facility Agreement will be suspended, including upon the long-term corporate credit rating of the Parent (or any holding company of the Parent) being equal to or better than Baa3 or BBB-, according to Moody's Investor Services, Inc. and Standard & Poor's Investors Ratings Services, respectively.

The Revolving Facility Agreement also contains an "information covenant" under which, among other things, the Parent is required to deliver to Global Loan Agency Services Limited (acting as facility agent pursuant to the Revolving Facility Agreement) annual financial statements, quarterly financial statements and compliance certificates.

Financial Covenant

The Revolving Facility Agreement requires that the consolidated leverage ratio in respect of each period of twelve months ending on any quarter date (the "**Consolidated Leverage Ratio**") shall not be greater than 7.00:1.00 provided that this financial covenant is only to be tested if on the last day of such period, the amount of loans drawn under the Revolving Facility is greater than 40% of the total Revolving Facility commitments.

The Parent is permitted (subject to certain conditions) to prevent or cure breaches of the Consolidated Leverage Ratio covenant by applying a "cure" amount (generally, amounts received by the Parent in cash pursuant to any new equity or permitted subordinated debt) as if consolidated EBITDA had been increased by such amount or consolidated leverage had been reduced by such amount. There is no requirement to apply any cure amount in prepayment of the Revolving Facility. No more than four different cure amounts may be taken into account prior to the maturity

date of the Revolving Facility Agreement and cure amounts in consecutive financial quarters are not permitted.

Events of Default

The Revolving Facility Agreement contains a limited number of events of default (misrepresentation, unlawfulness, failure to comply with the financial covenant (subject to cure)), subject in certain cases to agreed grace periods and other qualifications. Additionally, the Revolving Facility Agreement mirrors the events of default applicable to the Notes.

Governing law

The Revolving Facility Agreement is governed by English law (with certain covenants, information undertakings and events of default being governed by New York law).

Intercreditor Agreement

General

To establish the relative rights of certain of our creditors under our financing arrangements, the Parent, the Issuer and certain other members of the Group which have acceded or otherwise become a party to the Intercreditor Agreement as a debtor (together the "**Debtors**") are parties to the Intercreditor Agreement between, among others, Global Loan Agency Services Limited as Revolving Agent and Senior Bridge Agent and Sherwood Parentco Limited as the parent as amended and/or restated from time to time. The Intercreditor Agreement is governed by English law and sets out, among other things, 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 debt of the Debtors, when enforcement action can be taken in respect of that indebtedness, the terms pursuant to which certain of that indebtedness will be subordinated upon the occurrence of certain insolvency events and turnover provisions.

Capitalized terms set forth and used in this summary of the Intercreditor Agreement may have different meanings from that given to such terms and used elsewhere in this Offering Memorandum. Capitalized terms used in this summary of the Intercreditor Agreement but not otherwise defined herein or this Offering Memorandum shall have the meanings given to them in the Intercreditor Agreement.

Definitions

The following capitalized terms used in this summary of the Intercreditor Agreement have the meaning given to them below:

"**Agent**" means each of any Revolving Agent, Senior Agent, Permitted Second Lien Creditor Representative, Senior Parent Agent and the Security Agent, as the context requires.

"**Arrangers**" means any Revolving Arranger, any Senior Arranger, any arranger of the credit facilities under any Permitted Second Lien Financing Agreement and any Permitted Parent Financing Arranger.

"**Creditors**" means the Super Senior Secured Creditors, the Senior Secured Creditors, the Permitted Second Lien Financing Creditors, the Senior Parent Creditors, the Hedge Counterparties, the Intra-Group Lenders and the Investors.

"**Debtor**" means any person that is a party to the Intercreditor Agreement as a Debtor.

"**Group**" means the Parent and its Restricted Subsidiaries (or, in each case, the IPO Pushdown Entity and its Restricted Subsidiaries from the Pushdown Date) but, in each case, excluding, until expiry of the Certain Funds Period (and assuming the Acquisition Completion Date occurs), members of the Target Group.

"**Hedge Counterparty**" means any person that executes or accedes to the Intercreditor Agreement as a Hedge Counterparty.

"**Hedging Liabilities**" means the liabilities owed by any Debtor to Hedge Counterparties in respect of certain hedging agreements but excluding certain excluded swap obligations.

"**Insolvency Event**" means, generally, certain events of insolvency in relation to any company that is a member of the Group.

"**Intra-Group Lender**" means each Debtor which has made a loan available to, granted credit to or made any other financial arrangement having similar effect with another Debtor and which is a party to the Intercreditor Agreement as an Intra-Group Lender.

"**Investor**" means any person that is a party to the Intercreditor Agreement as an Investor.

"**Majority Permitted Parent Financing Creditors**" means, in relation to any Permitted Parent Financing Debt, the requisite number or percentage of Permitted Parent Financing Creditors under the Permitted Parent Financing Agreement on whose instructions the Senior Parent Creditor Representative is required to act in relation to the relevant matter.

"**Majority Permitted Second Lien Financing Creditors**" means, in relation to any Permitted Second Lien Financing Debt, the requisite number or percentage of Permitted Second Lien Financing Creditors under the Permitted Second Lien Financing Agreement on whose instructions the Permitted Second Lien Creditor Representative is required to act in relation to the relevant matter.

"**Majority Permitted Senior Financing Creditors**" means, in relation to any Permitted Senior Financing Debt, the requisite number or percentage of Permitted Senior Financing Creditors under the Permitted Senior Financing Agreement on whose instructions the Permitted Senior Creditor Representative is required to act in relation to the relevant matter.

"**Majority Revolving Lenders**" has the meaning given to the term "**Majority Lenders**" under the Revolving Facility Agreement (being, subject to certain provisions of the Revolving Facility Agreement, a Revolving Lender or Revolving Lenders whose commitments under the Revolving Facility Agreement aggregate 50.1 per cent. or more of the total commitments under the Revolving Facility Agreement (or if the total commitments under the Revolving Facility

Agreement have been reduced to zero, aggregated 50.1 per cent. or more of the total commitments under the Revolving Facility Agreement immediately prior to that reduction)).

"**Material Event of Default**" means, generally, certain events of default relating to insolvency proceedings, failure to pay judgement debt and invalidity, ineffectiveness or unlawfulness of security, under each of the Revolving Facility Agreement (prior to the Super Senior Discharge Date), the Senior Bridge Facilities Agreement (prior to the Senior Bridge Discharge Date), the Senior Notes (prior to the Senior Notes Discharge Date) and any Permitted Senior Financing Agreement (prior to the Permitted Senior Financing Discharge Date).

"**Operating Facility**" means any facility or financial accommodation (including, without limitation, any overdraft or other current account facility, any foreign exchange facility, any guarantee, bonding, documentary or standby letter of credit facility, any credit card or automated payments facility, any short term loan facility and any derivatives facility) provided to a member of the Group by an Operating Facility Lender which is notified to the Security Agent by the Parent in writing as a facility or financial accommodation to be treated as an "*Operating Facility*" for the purposes of the Intercreditor Agreement.

"**Operating Facility Document**" means, at the election of the Parent, any document relating to or evidencing an Operating Facility.

"**Operating Facility Lender**" means any person that executes or accedes to the Intercreditor Agreement as an Operating Facility Lender.

"**Operating Facility Liabilities**" means the liabilities owed by any Debtor to the Operating Facility Lenders under or in connection with the Operating Facility Documents.

"**Permitted Parent Financing Agreement**" means, in relation to any Permitted Parent Financing Debt, the facility agreement, indenture or other equivalent document by which that Permitted Parent Financing Debt is made available or, as the case may be, issued.

"**Permitted Parent Financing Creditors**" means, in relation to any Permitted Parent Financing Debt, each of the lenders, holders or other creditors in respect of that Permitted Parent Financing Debt from time to time (including the applicable Senior Parent Creditor Representative).

"**Permitted Parent Financing Debt**" means any indebtedness incurred by any member of the Group which is notified to the Security Agent by the Parent in writing as indebtedness to be treated as "*Permitted Parent Financing Debt*" for the purposes of the Intercreditor Agreement; provided that (a) the incurrence of such indebtedness is not prohibited by the terms of the Secured Debt Documents and (b) the providers of such indebtedness or the agent, trustee or other relevant representative in respect of that Permitted Parent Financing Debt have agreed to become a party to the Intercreditor Agreement, in each case unless already a party in that capacity.

"**Permitted Parent Financing Documents**" means, in relation to any Permitted Parent Financing Debt, the Permitted Parent Financing Agreement, any fee letter entered into under or in connection with the Permitted Parent Financing Agreement and any other document or instrument relating to that Permitted Parent Financing Debt and designated as such by the Parent and the Senior Parent Creditor Representative in respect of that Permitted Parent Financing Debt.

“**Permitted Parent Financing Liabilities**” means all liabilities of any Debtor to any Permitted Parent Financing Creditors under or in connection with the Permitted Parent Financing Documents.

“**Permitted Second Lien Creditor Representative**” means, in relation to any Permitted Second Lien Financing Debt, the agent, trustee or other relevant representative in respect of that Permitted Second Lien Financing Debt (including, if applicable, any Permitted Second Lien Notes Trustee).

“**Permitted Second Lien Financing Agreement**” means, in relation to any Permitted Second Lien Financing Debt, the facility agreement, indenture or other equivalent document by which that Permitted Second Lien Financing Debt is made available or, as the case may be, issued.

“**Permitted Second Lien Financing Creditors**” means, in relation to any Permitted Second Lien Financing Debt, each of the lenders, holders or other creditors in respect of that Permitted Second Lien Financing Debt from time to time (including the applicable Permitted Second Lien Creditor Representative).

“**Permitted Second Lien Financing Debt**” means any indebtedness incurred by any member of the Group which is notified to the Security Agent by the Parent in writing as indebtedness to be treated as “**Permitted Second Lien Financing Debt**” for the purposes of the Intercreditor Agreement; provided that (a) the incurrence of such indebtedness is not prohibited by the terms of the Secured Debt Documents and (b) the providers of such indebtedness or the agent, trustee or other relevant representative have agreed to become a party to the Intercreditor Agreement.

“**Permitted Second Lien Financing Discharge Date**” means the first date on which all Permitted Second Lien Financing Liabilities have been fully and finally discharged (if applicable, including by way of defeasance permitted in accordance with the Permitted Second Lien Financing Documents), whether or not as a result of an enforcement, and the Permitted Second Lien Financing Creditors are under no further obligation to provide any financial accommodation to any of the Debtors under the Permitted Second Lien Financing Documents.

“**Permitted Second Lien Financing Documents**” means, in relation to any Permitted Second Lien Financing Debt, the Permitted Second Lien Financing Agreement, any fee letter entered into under or in connection with the Permitted Second Lien Financing Agreement and any other document or instrument relating to that Permitted Second Lien Financing Debt and designated as such by the Parent and the Permitted Second Lien Creditor Representative in respect of that Permitted Second Lien Financing Debt.

“**Permitted Second Lien Financing Liabilities**” means the liabilities of the Debtors to the Permitted Second Lien Financing Creditors under or in connection with the Permitted Second Lien Financing Documents (excluding amounts owing to any Permitted Second Lien Notes Trustee).

“**Permitted Second Lien Notes Trustee**” means any entity acting as trustee under an indenture in respect of Permitted Second Lien Financing Debt constituted by the issue of notes (to the extent it has acceded to the Intercreditor Agreement in such capacity).

"**Permitted Senior Creditor Representative**" means, in relation to any Permitted Senior Financing Debt, the agent, trustee or other relevant representative in respect of that Permitted Senior Financing Debt.

"**Permitted Senior Financing Agreement**" means, in relation to any Permitted Senior Financing Debt, the facility agreement, indenture or other equivalent document by which that Permitted Senior Financing Debt is made available or, as the case may be, issued.

"**Permitted Senior Financing Creditors**" means, in relation to any Permitted Senior Financing Debt, each of the lenders, holders or other creditors in respect of that Permitted Senior Financing Debt from time to time (including the applicable Permitted Senior Creditor Representative).

"**Permitted Senior Financing Debt**" means any indebtedness incurred by any member of the Group which is notified to the Security Agent by the Parent in writing as indebtedness to be treated as "*Permitted Senior Financing Debt*" for the purposes of the Intercreditor Agreement; provided that (a) the incurrence of such indebtedness is not prohibited by the terms of the Secured Debt Documents and (b) the providers of such indebtedness or the agent, trustee or other relevant representative in respect of that Permitted Senior Financing Debt have agreed to become a party to the Intercreditor Agreement in each case to the extent not already a party in that capacity.

"**Permitted Senior Financing Discharge Date**" means the first date on which all Permitted Senior Financing Liabilities have been fully and finally discharged (if applicable, including by way of defeasance permitted in accordance with the Permitted Senior Financing Documents), whether or not as a result of an enforcement, and the Permitted Senior Financing Creditors are under no further obligation to provide any financial accommodation to any of the Debtors under the Permitted Senior Financing Documents.

"**Permitted Senior Financing Documents**" means, in relation to any Permitted Senior Financing Debt, the Permitted Senior Financing Agreement, any fee letter entered into under or in connection with the Permitted Senior Financing Agreement and any other document or instrument relating to that Permitted Senior Financing Debt and designated as such by the Parent and the Permitted Senior Creditor Representative in respect of that Permitted Senior Financing Debt.

"**Permitted Senior Financing Liabilities**" means all liabilities of any Debtor to any Permitted Senior Financing Creditors under or in connection with the Permitted Senior Financing Documents.

"**Primary Creditors**" means the Super Senior Secured Creditors, the Senior Secured Creditors, the Permitted Second Lien Financing Creditors and the Senior Parent Creditors.

"**Primary Discharge Date**" means the later to occur of the Super Senior Discharge Date, the Senior Discharge Date and the Permitted Second Lien Financing Discharge Date.

"**Primary Liabilities**" means the Super Senior Liabilities, the Senior Liabilities and the Permitted Second Lien Financing Liabilities.

“**Primary Secured Parties**” means the Super Senior Secured Creditors, the Senior Secured Creditors and the Permitted Second Lien Financing Creditors.

“**Revolving Agent**” means the agent under the Revolving Facility Agreement.

“**Revolving Arranger**” means any arranger of the credit facilities under the Revolving Facility Agreement.

“**Revolving Event of Default**” means an event of default (howsoever described) under any Revolving Finance Documents.

“**Revolving Finance Documents**” means, generally, the finance documents in relation to the Revolving Facility Agreement.

“**Revolving Lenders**” means, generally, the lenders under the Revolving Facility Agreement together with each issuing bank and ancillary lender under the Revolving Finance Documents.

“**Revolving Liabilities**” means the liabilities of the Debtors owed to the Revolving Lenders under the Revolving Finance Documents.

“**Secured Creditors**” means the Super Senior Secured Creditors, the Senior Secured Creditors and the Permitted Second Lien Financing Creditors.

“**Secured Debt Documents**” means the Revolving Finance Documents, the Operating Facility Documents, the Hedging Agreements, the Senior Debt Documents, the Permitted Second Lien Financing Documents, the Senior Parent Notes Finance Documents and/or the Permitted Parent Financing Documents, as the context requires.

“**Secured Party**” means, to the extent legally possible and subject to the Agreed Security Principles, each of the Security Agent, any receiver or delegate and each Agent, the Arrangers, the Operating Facility Lenders, the Secured Creditors and the Senior Parent Creditors from time to time but, to the extent required by the Intercreditor Agreement, only if it is a party to the Intercreditor Agreement or has acceded to it, in the appropriate capacity, pursuant to its terms.

“**Senior Acceleration Event**” means an acceleration event in relation to the Senior Bridge Facilities Agreement, any Senior Notes or any Permitted Senior Financing Debt, as the context requires.

“**Senior Agent**” means the Senior Bridge Agent, any Senior Notes Trustee and/or any Permitted Senior Creditor Representative, as the context requires.

“**Senior Arranger**” means the Senior Bridge Arranger and any Permitted Senior Financing Arranger.

“**Senior Bridge Agent**” means the agent under the Senior Bridge Facilities Agreement.

"**Senior Bridge Arranger**" means any arranger of the credit facilities under the Senior Bridge Facilities Agreement.

"**Senior Bridge Discharge Date**" means the first date on which all Senior Bridge Liabilities have been fully and finally discharged, whether or not as the result of an enforcement, and the Senior Bridge Finance Parties are under no further obligation to provide financial accommodation to any of the Debtors under any of the finance documents in relation to the Senior Bridge Facilities Agreement.

"**Senior Bridge Finance Documents**" means, generally, the finance documents in relation to the Senior Bridge Facilities Agreement.

"**Senior Bridge Finance Parties**" means, generally, the finance parties in relation to the Senior Bridge Facilities Agreement.

"**Senior Bridge Lender**" means, generally, the lenders under the Senior Bridge Facilities Agreement.

"**Senior Bridge Liabilities**" means the liabilities of the Debtors owed to the lenders and the other Senior Bridge Finance Parties under the finance documents in relation to the Senior Bridge Facilities Agreement.

"**Senior Debt**" means any outstanding indebtedness incurred by any member of the Group under the Senior Debt Documents.

"**Senior Debt Documents**" means the Senior Bridge Finance Documents, the Senior Notes Finance Documents and/or the Permitted Senior Financing Documents.

"**Senior Discharge Date**" means the first date on which each of the Senior Bridge Discharge Date, the Senior Notes Discharge Date and the Permitted Senior Financing Discharge Date has occurred.

"**Senior Event of Default**" means an event of default (howsoever described) under any Senior Debt Document.

"**Senior Liabilities**" means the Senior Bridge Liabilities, the Senior Notes liabilities and the Permitted Senior Financing Liabilities.

"**Senior Liabilities Transfer**" means a transfer of the Senior Liabilities to all or any of the Permitted Second Lien Financing Creditors described under the caption "—*Option to purchase: Permitted Second Lien Financing Creditors*" or a transfer of the Senior Liabilities to all or any of the Senior Parent Creditors described under the caption "—*Option to purchase: Senior Parent Creditors*."

"**Senior Noteholders**" means the registered holders from time to time of the Senior Notes.

"**Senior Notes**" means high yield notes, exchange notes, debt securities and/or other debt instruments issued or to be issued by any member of the Group which are notified to the Security

Agent by the Parent in writing as indebtedness to be treated as "*Senior Notes*" for the purposes of the Intercreditor Agreement.

"**Senior Notes Creditors**" means the Senior Noteholders and each Senior Notes Trustee.

"**Senior Notes Discharge Date**" means the first date on which all the Senior Notes liabilities have been fully and finally discharged, including by way of defeasance permitted in accordance with the Senior Notes Finance Documents, whether or not as the result of an enforcement.

"**Senior Notes Finance Documents**" means, generally, the Senior Notes, each indenture for the Senior Notes, guarantees of the Senior Notes, the Intercreditor Agreement, the relevant security documents securing the liabilities in respect of the Senior Notes and any other document entered into in connection with the Senior Notes and designated as such by the Parent and the applicable Senior Notes Trustee.

"**Senior Notes Indenture**" means any indenture pursuant to which any Senior Notes are issued.

"**Senior Notes Trustee**" means any entity acting as trustee under any issue of Senior Notes (to the extent it has acceded to the Intercreditor Agreement in such capacity).

"**Senior Parent Creditor Representative**" means, in relation to any Permitted Parent Financing Debt, the agent, trustee or other relevant representative in respect of that Permitted Parent Financing Debt.

"**Senior Parent Creditors**" means the Senior Parent Notes Creditors and any Permitted Parent Financing Creditors.

"**Senior Parent Debt Issuer**" means, generally, in relation to any Senior Parent Notes or Permitted Parent Financing Debt, the member of the Group which is the issuer or, as the case may be, the borrower of those Senior Parent Notes or that Permitted Parent Financing Debt; provided that no member of the Group which is (a) an issuer or, as the case may be, a borrower of any outstanding indebtedness under the Revolving Facility Agreement and the Senior Bridge Facilities Agreement, outstanding Senior Notes, outstanding Permitted Senior Financing Debt or outstanding Permitted Second Lien Financing Debt, or (b) a subsidiary of a member of the Group falling within the foregoing paragraph (a) (other than a subsidiary which is a certain financing vehicle), respectively, may be a Senior Parent Debt Issuer.

"**Senior Parent Event of Default**" means an Event of Default under any Senior Parent Notes Indenture and/or any Permitted Parent Financing Agreement, as the context requires.

"**Senior Parent Finance Parties**" means any Senior Parent Notes Trustee (on behalf of itself and the Senior Parent Noteholders that it represents), any Senior Parent Noteholder, the Security Agent and the Permitted Parent Financing Creditors.

"**Senior Parent Liabilities**" means the Senior Parent Notes Liabilities and any Permitted Parent Financing Liabilities.

"**Senior Parent Noteholders**" means the registered holders from time to time of the applicable Senior Parent Notes, as determined in accordance with the terms of the relevant Senior Parent Notes Indenture(s).

"**Senior Parent Notes**" means high yield notes, exchange notes, debt securities and/or other debt instruments issued or to be issued by any member of the Group which are notified to the Security Agent by the Parent in writing as indebtedness to be treated as "*Senior Parent Notes*" for the purposes of the Intercreditor Agreement.

"**Senior Parent Notes Creditors**" means, on and from the first Senior Parent Notes issue date, the Senior Parent Noteholders and each Senior Parent Notes Trustee.

"**Senior Parent Notes Finance Documents**" means, generally, the Senior Parent Notes, each indenture for the Senior Parent Notes, guarantees of the Senior Parent Notes, the Intercreditor Agreement, the relevant security documents securing the liabilities in respect of the Senior Parent Notes and any other document entered into in connection with the Senior Parent Notes and designated as such by the Parent and the applicable Senior Parent Notes Trustee.

"**Senior Parent Notes Indenture**" means each indenture pursuant to which any Senior Parent Notes are issued.

"**Senior Parent Notes Liabilities**" means, generally, the liabilities owed by any Debtor to the Senior Parent Notes Creditors and the Security Agent under the finance documents for the Senior Parent Notes (excluding, generally, certain amounts owed to the relevant Senior Parent Notes Trustee in respect of each issuance of Senior Parent Notes).

"**Senior Parent Notes Trustee**" means any entity acting as trustee under any issue of Senior Parent Notes (to the extent it has acceded to the Intercreditor Agreement in such capacity).

"**Senior Secured Creditors**" means the Senior Bridge Finance Parties, the Senior Notes Creditors and the Permitted Senior Financing Creditors.

"**Shareholder Contribution**" means (a) any subscription for shares issued by, and any capital contributions to, the Parent provided that any such shares or capital contributions are not redeemable at the option of their holder whilst any amount remains outstanding under the Revolving Facility Agreement, in each case unless permitted by the Revolving Facility Agreement; and/or (b) any loans, notes, bonds or like instruments issued by, or made to, the Parent which are subordinated to the facility under the Revolving Facility Agreement pursuant to the Intercreditor Agreement (with no right to prepayment or acceleration or cash return payable whilst any amount remains outstanding under the Revolving Facility Agreement, in each case unless permitted by the Intercreditor Agreement) or are otherwise subordinated to the Revolving Facility Agreement on terms satisfactory to the Revolving Agent, acting reasonably.

"**Subordinated Debt**" means, generally, indebtedness which is expressly subordinated in right of payment to utilizations under the Revolving Facility Agreement and guarantees pursuant to a written agreement.

"**Super Senior Discharge Date**" means the first date on which the Super Senior Liabilities have been fully and finally discharged, whether or not as a result of enforcement, and the Revolving Lenders and the Hedge Counterparties are under no further obligation to provide financial accommodation to any of the Debtors under any of the Revolving Finance Documents or the relevant hedging agreements (as applicable).

"**Super Senior Liabilities**" means the Revolving Liabilities and the Hedging Liabilities.

"**Super Senior Secured Creditors**" means the Revolving Lenders and the Hedge Counterparties.

Debt Refinancing

The Intercreditor Agreement permits any of the liabilities under the debt documents to be refinanced, replaced, increased or otherwise restructured in whole or in part including by way of Permitted Senior Financing Debt, Permitted Second Lien Financing Debt and/or Permitted Parent Financing Debt or the issue of additional Senior Notes and/or Senior Parent Notes and the introduction of a "*super senior*" credit facility (the "**Priority Facility**") or the establishment of new or additional Operating Facilities (each a "**Debt Refinancing**"). Each party to the Intercreditor Agreement shall be required to enter into any amendment to or replacement of the then current Secured Debt Documents and/or take such other action as is required by the Parent in order to facilitate such a Debt Refinancing including changes to, the taking of, or release and retake of, any guarantee or security, subject to certain conditions. At the option of the Parent, a Debt Refinancing may be made available on a basis which is senior to, *pari passu* with or junior to any of the other liabilities, shall be entitled to benefit from all or any of the security, may be made available on a secured or unsecured basis (subject to certain restrictions) and may be effected in whole or in part by way of a debt exchange, non-cash rollover or other similar or equivalent transaction, in each case unless otherwise prohibited by the Debt Financing Agreements. Under the terms of the Intercreditor Agreement, each Agent, each Secured Party and each Primary Creditor agrees that it shall co-operate with the Parent, each other member of the Group and each Agent in order to facilitate any Debt Refinancing (including by way of, at the request and cost of the Parent, executing any document or agreement and/or giving instructions to any person). In the event of any refinancing or replacement of all or any part of the facility under the Revolving Facility Agreement or the Senior Liabilities (or any such refinancing or replacement indebtedness from time to time), the Parent shall be entitled to require that the definition of Instructing Group is amended such that the relevant refinancing or replacement indebtedness is treated in the same manner as the facilities under the Revolving Facility Agreement and Senior Liabilities (meaning that for the purpose of calculating the voting entitlement of any person, at the option of the Parent all or any part of the relevant refinancing or replacement indebtedness may be treated as Super Senior Credit Participations or Senior Credit Participations, each as defined under the caption "*—Instructing Group*"). In the event that any Priority Facility becomes subject to the provisions of the Intercreditor Agreement, the Parent shall be entitled to require that all or any part of the Hedging Liabilities and/or the Operating Facility Liabilities shall rank in right and priority of payment *pari passu* with that Priority Facility (which, for the avoidance of doubt, may result in such Hedging Liabilities and/or Operating Facility Liabilities ranking ahead of the Senior Notes liabilities, the Permitted Senior Financing Liabilities, the Senior Parent Notes Liabilities and/or

the Permitted Parent Financing Liabilities), in each case unless otherwise prohibited by the Debt Financing Agreements.

Any Priority Facility implemented pursuant to a Debt Refinancing shall comply with, among others, the following limitations:

Ranking

No liabilities or obligations in respect of any Priority Facility may rank in right and priority of payment ahead of the Super Senior Liabilities (other than as regards amounts of the type set out in paragraphs (i) and (ii) under the caption "—*Application of Proceeds-Order of Application*").

Subject to the paragraph above and to the extent not otherwise prohibited by the Debt Financing Agreements, any Priority Facility shall rank in right and priority of payment as determined by the Parent.

Enforcement

The right of the lenders or other creditors in respect of a Priority Facility to:

(a) instruct the Security Agent to enforce the security;

(b) give or refrain from giving instructions to the Security Agent to enforce or refrain from enforcing the security as they see fit; and/or

(c) otherwise provide instructions as, or as part of, an Instructing Group,

shall be generally consistent with, or otherwise not materially less favorable to the other Secured Parties than, those customary for facilities of a similar nature to that Priority Facility (if any), in each case as at the date such Priority Facility is contractually committed by the relevant member(s) of the Group and as determined by the Parent (with any such determination to be conclusive).

Option to Purchase

(a) The Senior Notes Creditors and the Permitted Senior Financing Creditors shall be provided with an 'option to purchase' right in relation to any liabilities in respect of a Priority Facility consistent in all material respects with the 'option to purchase' right provided in relation to the Super Senior Liabilities and the Senior Liabilities as set out under the captions "—*Restrictions Relating to Super Senior Liabilities and Senior Liabilities*" and "—*Option to Purchase: Senior Notes Creditors and Permitted Senior Financing Creditors*."

(b) The Senior Parent Agent(s) shall be provided with an 'option to purchase' right in relation to any liabilities in respect of a Priority Facility consistent in all material respects with the 'option to purchase' right as set out under caption "—*Restrictions Relating to Senior Parent Creditors and Senior Parent Liabilities—Option to Purchase: Senior Parent Creditors*."

Ranking and Priority

Priority of Debts

Subject to the provisions set out in the caption "—*Senior Parent Liabilities and Security*," the Intercreditor Agreement provides that the liabilities owed by the Debtors (other than any Senior Parent Debt Issuer to the extent relating to liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where that Senior Parent Debt Issuer is the issuer or the borrower) to the Primary Creditors and the Operating Facility Lenders shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

- first, the Super Senior Liabilities, the Senior Liabilities, the Permitted Second Lien Financing Liabilities, the Operating Facility Liabilities, amounts due to a Revolving Arranger, Senior Arranger, Senior Agent, Permitted Second Lien Creditor Representative, Senior Notes Trustee, the Permitted Second Lien Notes Trustee and amounts due the Senior Parent Notes Trustee *pari passu* and without any preference amongst them; and

- second, the Senior Parent Notes Liabilities and the Permitted Parent Financing Liabilities *pari passu* and without any preference amongst them.

The liabilities owed by a Senior Parent Debt Issuer (to the extent relating to liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where that Senior Parent Debt Issuer is the issuer or the borrower) to the Primary Creditors and the Operating Facility Lenders shall rank *pari passu* in right and priority of payment without any preference among them.

Priority of Security

The Intercreditor Agreement provides that the security shall secure the liabilities (but only to the extent that such security is expressed to secure those liabilities) in the following order:

- first, the Super Senior Liabilities, the Senior Liabilities, the Operating Facility Liabilities, amounts due to a Revolving Arranger, Senior Arranger, Senior Agent, Senior Notes Trustee, Permitted Second Lien Creditor Representative, the Permitted Second Lien Notes Trustee and Senior Parent Notes Trustee *pari passu* and without any preference amongst them;

- second, the Permitted Second Lien Financing Liabilities and amounts due to the Permitted Second Lien Financing Arrangers *pari passu* and without any preference amongst them; and

- third, the Senior Parent Notes Liabilities and the Permitted Parent Financing Liabilities *pari passu* between themselves and without any preference amongst them.

Senior Parent Liabilities and Security

The Senior Parent Liabilities and the Permitted Parent Financing Liabilities owed by a Senior Parent Debt Issuer (to the extent relating to liabilities in respect of Senior Parent Notes

and/or Permitted Parent Financing Debt where that Senior Parent Debt Issuer is the issuer or the borrower) are senior obligations of that Senior Parent Debt Issuer. Notwithstanding the preceding sentence, until the Primary Discharge Date, creditors in relation to the Senior Parent Notes Liabilities and the Permitted Parent Financing Liabilities may not take any steps to appropriate the assets of a Senior Parent Debt Issuer subject to the security documents in connection with any Enforcement Action (as defined below), other than as expressly permitted by the Intercreditor Agreement.

Intra-Group Liabilities and Investor Liabilities

The Intercreditor Agreement provides that the liabilities owed by the Debtors to the Intra-Group Lenders and the liabilities owed by the Parent to the Investors are postponed and subordinated to the liabilities owed by the Debtors to the Primary Creditors and Operating Facility Lenders.

Additional and/or Refinancing Debt

The creditors under the Intercreditor Agreement and the Operating Facility Lenders acknowledge in the Intercreditor Agreement that the Debtors (or any of them) may wish to incur incremental borrowing liabilities (including guarantees of such liabilities) or refinance or replace borrowing liabilities (including incurring guarantee liabilities in respect of such refinancing or replacement) which are intended to rank *pari passu* with any other liabilities and/or share *pari passu* in any security and/or to rank behind any other liabilities and/or to share in any security behind any such other liabilities.

The creditors under the Intercreditor Agreement and the Operating Facility Lenders undertake in the Intercreditor Agreement (at the cost of the Debtors) to co-operate with the Parent and the Debtors with a view to enabling and facilitating such financing, refinancing or replacement and such sharing in the security (provided it is not prohibited by the terms of the Debt Financing Agreements at such time) to take place in a timely manner. In particular, each of the Secured Parties authorizes and directs each of its respective agents and the Security Agent to execute any amendment to the Intercreditor Agreement and such other debt documents required by the Parent to reflect, enable and/or facilitate any such arrangements (including as regards the ranking of any such arrangements).

Restrictions Relating to Super Senior Liabilities and Senior Liabilities

The Parent and the Debtors may make payments of the Super Senior Liabilities and Senior Liabilities at any time. The Intercreditor Agreement provides that the Super Senior Secured Creditors, the Senior Secured Creditors, the Operating Facility Lenders, the Parent and the Debtors may at any time amend or waive the terms of the Revolving Finance Documents, the Senior Debt Documents and the Operating Facility Documents in accordance with their respective terms from time to time (and subject only to any consent required under them).

Security and Guarantees: Super Senior Secured Creditors and Senior Secured Creditors

The Super Senior Secured Creditors, the Senior Secured Creditors and the Operating Facility Lenders may take, accept or receive the benefit of:

(i) any security from any member of the Group in respect of any of the Super Senior Liabilities, Senior Liabilities and the Operating Facility Liabilities in addition to the shared security provided that, to the extent legally possible and subject to certain Agreed Security Principles:

  (A) the security provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity);

  (B) all amounts actually received or recovered by any Super Senior Secured Creditor, Senior Secured Creditor or Operating Facility Lender with respect to any such security shall immediately be paid to the Security Agent and applied in accordance with the provisions set out under the caption "—*Application of Proceeds*;" and

  (C) any such security may only be enforced in accordance with the provisions set out under the caption "—*Enforcement of Security—Security Held by Other Creditors*."

(ii) any guarantee, indemnity or other assurance against loss from any member of the Group regarding any of the Super Senior Liabilities, the Senior Liabilities or Operating Facility Liabilities in addition to those in:

  (A) the Revolving Finance Documents, the Senior Debt Documents or any Operating Facility Document;

  (B) the Intercreditor Agreement; or

  (C) any guarantee, indemnity or other assurance against loss in respect of any of the liabilities, the benefit of which (however conferred) is, to the extent legally possible and subject to certain Agreed Security Principles, given to all the Super Senior Secured Creditors, the Senior Secured Creditors and the Permitted Second Lien Financing Creditors in respect of their respective liabilities;

provided that, to the extent legally possible, and subject to certain Agreed Security Principles,

- the guarantee provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity); and
- such guarantee, indemnity or assurance against loss is expressed to be subject to the Intercreditor Agreement; and

(iii) any security, guarantee, indemnity or other assurance against loss from any member of the Group in connection with:

  (A) any escrow or similar or equivalent arrangements entered into in respect of amounts which are being held (or will be held) by a person which is not a member of the Group prior to release of those amounts to a member of the Group; or

(B) any actual or proposed defeasance, redemption, prepayment, repayment, purchase or other discharge of any Super Senior Liabilities, Senior Liabilities and/or Operating Facility Liabilities (in each case provided that such defeasance, redemption, prepayment, repayment, purchase or other discharge is not prohibited by the terms of the Intercreditor Agreement).

Restriction on Enforcement: Super Senior Secured Creditors, Senior Secured Creditors and Operating Facility Lenders

The Intercreditor Agreement provides that none of the Super Senior Secured Creditors, Senior Secured Creditors or the Operating Facility Lenders may take certain Enforcement Action without the prior written consent of an Instructing Group (as defined below).

Notwithstanding the above restriction or anything to the contrary in the Intercreditor Agreement, after the occurrence of certain specified insolvency events (an "*Insolvency Event*") in relation to the Parent or a Debtor, each Super Senior Secured Creditor, Senior Secured Creditor or Operating Facility Lender may, to the extent it is able to do so under the relevant debt documents, take certain Enforcement Action and/or claim in the winding up, dissolution, administration, reorganization or similar insolvency event of the Parent or that Debtor (as applicable) for liabilities owing to it (but a Super Senior Secured Creditor, Senior Creditor or an Operating Facility Lender may not direct the Security Agent to enforce the common security in any manner).

Option to Purchase: Senior Notes Creditors and Permitted Senior Financing Creditors

Senior Notes Creditors holding at least a simple majority of the Senior Notes Liabilities or Permitted Senior Financing Creditors holding at least a simple majority of the Permitted Senior Financing Liabilities (the "*Senior Secured Acquiring Creditors*") may, after the occurrence of an acceleration event which is continuing, by giving not less than 10 days' notice to the Security Agent, require the transfer to them (or to a nominee or nominees), in accordance with the applicable transfer provisions of the Intercreditor Agreement, of all, but not part, of the rights, benefits and obligations in respect of the Revolving Liabilities and the Operating Facility Liabilities if:

(a) that transfer is lawful and, subject to paragraph (b) below, otherwise permitted by the terms of the Revolving Facility Agreement and the Operating Facility Documents;

(b) any conditions relating to such a transfer contained in the Revolving Facility Agreement and the Operating Facility Documents are complied with, other than:

  (i) any requirement to obtain the consent of, or consult with, a member of the Group in relation to such transfer, which consent or consultation shall not be required; and

  (ii) to the extent to which all the Senior Secured Acquiring Creditors provide cash cover for any letter of credit, the consent of the relevant letter of credit issuing bank relating to such transfer;

(c) the Revolving Agent, on behalf of the Revolving Lenders, is paid an amount equal to the aggregate of:

(i) any amounts provided as cash cover by the Senior Secured Acquiring Creditors for any letter of credit (as envisaged in paragraph (b)(ii) above);

(ii) all of the Super Senior Liabilities at that time (whether or not due), including all amounts that would have been payable under the Revolving Facility Agreement if the facility under the Revolving Facility Agreement were being prepaid by the relevant Debtors on the date of that payment; and

(iii) all costs and expenses (including legal fees) incurred by the Revolving Agent and/or the Revolving Lenders and/or the Security Agent as a consequence of giving effect to that transfer;

(d) the Operating Facility Lenders are paid an amount equal to the aggregate of:

(i) all of the Operating Facility Liabilities at that time (whether or not due), including all amounts that would have been payable under the Operating Facility Documents if the Operating Facilities were being prepaid by the relevant Debtors on the date of that payment; and

(ii) all costs and expenses (including legal fees) incurred by the Operating Facility Lenders and/or the Security Agent as a consequence of giving effect to that transfer;

(e) as a result of that transfer, the Revolving Lenders and the Operating Facility Lenders have no further actual or contingent liability to a Debtor under the Revolving Finance Documents and the Operating Facility Documents (as applicable);

(f) an indemnity is provided from each of the Senior Secured Acquiring Creditors (other than any Senior Agent) or from another third-party acceptable to all the Revolving Lenders and the Operating Facility Lenders in a form reasonably satisfactory to each Revolving Lender and Operating Facility Lender in respect of all costs, expenses, losses and liabilities which may be sustained or incurred by any Revolving Lender or Operating Facility Lender in consequence of any sum received or recovered by any Revolving Lender or Operating Facility Lender from any person being required (or it being alleged that it is required) to be paid back by or clawed back from any Revolving Lender or Operating Facility Lender for any reason;

(g) the transfer is made without recourse to, or representation or warranty from, the Revolving Lenders or the Operating Facility Lenders, except that each Revolving Lender and Operating Facility Lender shall be deemed to have represented and warranted on the date of that transfer that it has the corporate power to effect that transfer and it has taken all necessary action to authorize the making by it of that transfer; and

(h) the Senior Parent Creditors have not exercised their rights to purchase as described under the provisions set out in the caption "—*Option to Purchase: Senior Parent Creditors*" or, having exercised such rights, have not failed to complete the acquisition of the relevant Super Senior Liabilities and the Operating Facility Liabilities in accordance with such provisions.

Subject to the Intercreditor Agreement, the Senior Secured Acquiring Creditors may only require a transfer of the Revolving Liabilities and the Operating Facility Liabilities if, at the same time, they require a transfer of Hedging Liabilities in accordance with the Intercreditor Agreement and if, for any reason, such transfer cannot be made in accordance with the Intercreditor Agreement, no transfer of the Revolving Liabilities and the Operating Facility Liabilities may be required to be made.

At the request of a Senior Agent (on behalf of the Senior Secured Acquiring Creditors), the Revolving Agent and the Operating Facility Lenders shall notify that Senior Agent of the foregoing payable sums in connection with such transfer.

Instructing Group

The term "**Instructing Group**" means at any time:

(a) prior to the Senior Discharge Date:

(i) in relation to any instructions to the Security Agent to enforce the security or refrain or cease from enforcing the security or to take any other Enforcement Action:

(A) those Senior Secured Creditors whose Senior Credit Participations at that time aggregate to more than 662/3% of the Total Senior Credit Participations at that time; and/or

(B) prior to the Super Senior Discharge Date, the Majority Super Senior Creditors,

in each case as applicable in accordance with the provisions set out under the caption "—*Consultation Period*;" or

(ii) in relation to any other matter:

(A) those Senior Secured Creditors whose Senior Credit Participations at that time aggregate to more than 662/3% of the Total Senior Credit Participations at that time; and

(B) prior to the Super Senior Discharge Date, the Majority Super Senior Creditors; and

(b) on or after the Senior Discharge Date and Super Senior Discharge Date but before the Permitted Second Lien Financing Discharge Date, and subject always to the provisions set out under the caption "—*Restrictions on Enforcement by Permitted Second Lien Financing Creditors*," those Permitted Second Lien Financing Creditors whose Second Lien Credit Participations at that time aggregate to more than 662/3% of the Total Second Lien Credit Participations at that time; and

(c) on or after the Primary Discharge Date but before the date of discharge of the Senior Parent Liabilities, and subject always to the provisions set out under the caption "—*Restrictions on Enforcement by Senior Parent Creditors*," the Majority Senior Parent Creditors.

In the foregoing definition of "*Instructing Group*":

"**Majority Senior Parent Creditors**" means, at any time, those Senior Parent Creditors whose Senior Parent Credit Participations at that time aggregate to more than 662/3% of the total aggregate amount of all Senior Parent Credit Participations at that time;

"**Majority Super Senior Creditors**" means, at any time, those Super Senior Secured Creditors whose Super Senior Credit Participations at that time aggregate more than 662/3% of the Total Super Senior Credit Participations at that time.

"**Second Lien Credit Participation**" means, in relation to a Permitted Second Lien Financing Creditor, the aggregate amount of its commitments under each Permitted Second Lien Financing Agreement (drawn or undrawn) and/or the principal amount of outstanding Permitted Second Lien Financing Debt held by that Permitted Second Lien Financing Creditor (as applicable and without double counting);

"**Senior Credit Participation**" means:

(a) in relation to a Senior Bridge Lender, its aggregate commitments under the Senior Bridge Facilities Agreement (whether drawn or undrawn);

(b) in relation to a Senior Notes Creditor, the principal amount of outstanding Senior Notes liabilities held by that Senior Notes Creditor; and

(c) in relation to a Permitted Senior Financing Creditor, the aggregate amount of its commitments under each Permitted Senior Financing Agreement (drawn or undrawn) and/or the principal amount of outstanding Permitted Senior Financing Debt held by that Permitted Senior Financing Creditor (as applicable and without double counting);

"**Senior Parent Credit Participation**" means:

(a) in relation to a Senior Parent Notes Creditor, the principal amount of outstanding Senior Parent Notes Liabilities held by that Senior Parent Notes Creditor; and

(b) in relation to a Permitted Parent Financing Creditor, the aggregate amount of its commitments under each Permitted Parent Financing Agreement (drawn or undrawn and calculated in a manner consistent with the commitments under the Senior Bridge Facilities Agreement and/or under any Permitted Senior Financing Agreement (as applicable)) and/or the principal amount of outstanding Permitted Parent Financing Debt held by that Permitted Parent Financing Creditor (as applicable and without double counting);

"**Super Senior Credit Participations**" means, in relation to a Super Senior Secured Creditor, the aggregate of:

(a) its aggregate commitments under the Revolving Facility Agreement (whether drawn or undrawn) (if any); and

(b) in respect of any hedging transaction of that Super Senior Secured Creditor under any hedging agreement that has, as of the date the calculation is made, been terminated or closed out in accordance with the terms of the Intercreditor Agreement, the amount, if any, payable to it under any hedging agreement in respect of that termination or close-out as of the date of termination or close-out (and before taking into account any interest accrued on that amount since the date of termination or close-out) to the extent that amount is unpaid (that amount to be certified by the relevant Super Senior Secured Creditor and as calculated in accordance with the relevant hedging agreement); and

(c) in respect of any hedging transaction of that Super Senior Secured Creditor under any hedging agreement that has, as of the date the calculation is made, not been terminated or closed out:

    (i) if the relevant hedging agreement is based on an ISDA Master Agreement the amount, if any, which would be payable to it under that hedging agreement in respect of that hedging transaction, if the date on which the calculation is made was deemed to be an Early Termination Date (as defined in the relevant ISDA Master Agreement) for which the relevant Debtor is the Defaulting Party (as defined in the relevant ISDA Master Agreement); or

    (ii) if the relevant hedging agreement is not based on an ISDA Master Agreement, the amount, if any, which would be payable to it under that hedging agreement in respect of that hedging transaction, if the date on which the calculation is made was deemed to be the date on which an event similar in meaning and effect (under that hedging agreement) to an Early Termination Date (as defined in any ISDA Master Agreement) occurred under that hedging agreement for which the relevant Debtor is in a position similar in meaning and effect (under that hedging agreement) to that of a Defaulting Party (under and as defined in the same ISDA Master Agreement),

that amount, in each case, to be certified by the relevant Super Senior Secured Creditor and as calculated in accordance with the relevant hedging agreement;

"**Total Second Lien Credit Participations**" means the aggregate of all the Second Lien Credit Participations at any time.

"**Total Senior Credit Participations**" means the aggregate of all the Senior Credit Participations at any time.

"**Total Super Senior Credit Participations**" means the aggregate of all the Super Senior Credit Participations at any time.

Restrictions Relating to Second Lien Creditors and Permitted Second Lien Financing Liabilities

The Intercreditor Agreement provides that, prior to the later of the Super Senior Discharge Date and the Senior Discharge Date, the Debtors shall not, and the Parent shall procure that no

other member of the Group will, make any payment of the Permitted Second Lien Financing Liabilities at any time unless that payment is permitted by the provisions set out below under the captions "*—Permitted Second Lien Payments*," "*—Permitted Second Lien Enforcement*," "*—Effect of Insolvency Event; Filing of Claims*" or by a refinancing of the Permitted Second Lien Financing Liabilities as permitted by the Intercreditor Agreement.

Permitted Second Lien Payments

Prior to the later of the Super Senior Discharge Date and the Senior Discharge Date, any member of the Group may make payments with respect to the Permitted Second Lien Financing Liabilities (such payments, collectively, "**Permitted Second Lien Payments**"):

(a) if:

(i) the payment is of:

(A) any of the principal amount of the Permitted Second Lien Financing Liabilities which is either (1) not prohibited from being paid by the Revolving Finance Documents or the Senior Debt Documents or (2) paid on or after the final maturity date of the relevant Permitted Second Lien Financing Liabilities (subject to certain conditions); or

(B) any other amount which is not an amount of principal or capitalized interest;

(ii) no Second Lien Payment Stop Notice (as defined below) is outstanding; and

(iii) no payment default under the Revolving Finance Documents (other than in respect of non-payment of any amount not constituting principal or interest or not exceeding £250,000 (or its equivalent)) has occurred and is continuing (the "**Super Senior Payment Default**");

(iv) no payment default under the Senior Debt Documents (other than in respect of non-payment of any amount not constituting principal or interest or not exceeding £250,000 (or its equivalent)) has occurred and is continuing (the "**Senior Payment Default**"); or

(b) if (X) the Majority Revolving Lenders (the "**Required Super Senior Consent**") and (Y) a Senior Notes Trustee and the Majority Permitted Senior Financing Creditors or the Permitted Senior Creditor Representative in respect of that Permitted Senior Financing Debt (as applicable) (the "**Required Senior Consent**") give prior consent to that payment being made;

(c) if the payment is of certain amounts due to the Permitted Second Lien Creditor Representative for its own account;

(d) of any costs and expenses of any holder of security in relation to protection, preservation or enforcement of such security;

(e) of costs, commissions, taxes, fees and expenses incurred in respect of or in relation to (or reasonably incidental to) any of the Permitted Second Lien Financing Documents (including in relation to any reporting or listing requirements under such documents);

(f) if the payment is funded directly or indirectly with the proceeds of any indebtedness incurred under the Permitted Second Lien Financing Documents and/or Senior Parent Notes;

(g) if the payment is funded directly or indirectly with the proceeds of a Shareholder Contribution or Subordinated Debt; or

(h) any other amount not exceeding £5,000,000 in aggregate in any financial year of the Parent.

On or after the later of the Super Senior Discharge Date and the Senior Discharge Date, the Debtors may make payments in respect of the Permitted Second Lien Financing Liabilities at any time.

Second Lien Payment Blockage Provisions

Until the later of the Super Senior Discharge Date (except with the Required Super Senior Consent) and the Senior Discharge Date (except with the Required Senior Consent), no Debtor shall make (and the Parent shall procure that no other member of the Group will make), and no Permitted Second Lien Financing Creditor may receive from any other members of the Group, any Permitted Second Lien Payment (other than roll-up or capitalization of any amount or certain amounts due to the Permitted Second Lien Creditor Representative for its own account and subject to certain other exceptions) if:

(a) a Super Senior Payment Default or a Senior Payment Default is continuing; or

(b) a Material Event of Default is continuing, from the date which is one business day after the date on which any Revolving Agent or Senior Agent delivers a payment stop notice (a "**Second Lien Payment Stop Notice**") specifying the event or circumstance in relation to that Material Event of Default to the Parent, the Security Agent, the Senior Parent Notes Trustee and any Senior Parent Creditor Representative until the earliest of:

- the date falling 120 days after delivery of that Second Lien Payment Stop Notice;
- in relation to payments of the Permitted Second Lien Financing Liabilities, if a Second Lien Standstill Period is in effect at any time after delivery of that Second Lien Payment Stop Notice, the date on which that standstill period expires;
- the date on which the relevant Material Event of Default has been remedied or waived in accordance with the applicable Revolving Finance Documents or Senior Debt Documents, as applicable;
- the date on which the Revolving Agent or Senior Agent, as applicable, has delivered the relevant Second Lien Payment Stop Notice delivers a notice to the Parent, the Security

Agent and the Permitted Second Lien Creditor Representative cancelling the Second Lien Payment Stop Notice;

- the Super Senior Discharge Date and the Senior Discharge Date have occurred; and
- the date on which the Security Agent or a Permitted Second Lien Creditor Representative takes Enforcement Action permitted under the Intercreditor Agreement against a Debtor.

Unless the Permitted Second Lien Creditor Representative waives this requirement, (i) a new Second Lien Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Second Lien Payment Stop Notice; and (ii) no Second Lien Payment Stop Notice may be delivered by a Senior Agent in reliance on a Material Event of Default more than 75 days after the date that Senior Agent received notice of that Material Event of Default.

The Revolving Agent and the Senior Agents may only serve one Second Lien Payment Stop Notice with respect to the same event or set of circumstances. Subject to the immediately preceding paragraph, this shall not affect the right of the Agents to issue a Second Lien Payment Stop Notice in respect of any other event or set of circumstances.

No Second Lien Payment Stop Notice may be served in respect of a Material Event of Default which had been notified to the Agents at the time at which an earlier Second Lien Payment Stop Notice was issued.

Any failure to make a payment due under any Permitted Second Lien Financing Document as a result of the issue of a Second Lien Payment Stop Notice or the occurrence of a Super Senior Payment Default or a Senior Payment Default shall not prevent (i) the occurrence of an Event of Default (as defined in any Permitted Second Lien Financing Document) as a consequence of that failure to make a payment in relation to the relevant Permitted Second Lien Financing Document; (ii) the issue of a Second Lien Enforcement Notice (as defined below) on behalf of the Permitted Second Lien Financing Creditors; (iii) any debt-for-equity transaction in respect of Permitted Second Lien Financing Liabilities; (iv) payment of advisory or professional fees in respect of restructuring advice and/or valuations in respect of the Debtors provided to the Permitted Second Lien Financing Creditors not exceeding in aggregate £1,500,000; or (v) payment to the Permitted Second Lien Financing Creditors of fees in respect of amendments to, and consents or waivers of, the Permitted Second Lien Financing Documents in amounts not exceeding those paid to the Super Senior Secured Creditors and the Senior Secured Creditors in respect of amendments to, and consents or waivers of, the Revolving Finance Documents and the Senior Debt Documents, as applicable.

Payment Obligations and Capitalization of Interest Continue

No Debtor shall be released from the liability to make any payment (including of default interest, which shall continue to accrue) under any Permitted Second Lien Financing Document by the operation of the provisions set out under each section above under the caption "*—Restrictions Relating to Permitted Second Lien Financing Creditors and Permitted Second*

Lien Financing Liabilities" even if its obligation to make such payment is restricted at any time by the terms of any of those provisions.

The accrual and capitalization of interest (if any) in accordance with the Permitted Second Lien Financing Documents shall continue notwithstanding the issue of a Second Lien Payment Stop Notice.

Cure of Second Lien Payment Stop

If:

(a) at any time following the issue of a Second Lien Payment Stop Notice or the occurrence of a Super Senior Payment Default or a Senior Payment Default, that Second Lien Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Super Senior Payment Default or Senior Payment Default ceases to be continuing; and

(b) any Debtor then promptly pays to the Permitted Second Lien Financing Creditors an amount equal to any payments which had accrued under the Permitted Second Lien Financing Documents and which would have been Permitted Second Lien Payments but for that Second Lien Payment Stop Notice, a Super Senior Payment Default or Senior Payment Default,

then any event or circumstance specified to be an "Event of Default" in any of the Debt Financing Agreements (an "**Event of Default**") (including any cross default or similar provision under any other debt document) which may have occurred as a result of that suspension of payments shall be waived, and any Second Lien Enforcement Notice which may have been issued as a result of that Event of Default shall be waived, in each case without any further action being required on the part of the Permitted Second Lien Financing Creditors or any other creditor or Operating Facility Lender.

Restrictions on Enforcement by Permitted Second Lien Financing Creditors

Until the Super Senior Discharge Date and the Senior Discharge Date, except with the prior consent of or as required by an Instructing Group:

(a) no Permitted Second Lien Financing Creditor shall direct the Security Agent to enforce, or otherwise require the enforcement of any security; and

(b) no Permitted Second Lien Financing Creditor shall take or require the taking of any Enforcement Action in relation to the Permitted Second Lien Financing Liabilities,

except as permitted under the provisions set out below under the caption "—*Permitted Second Lien Enforcement*."

Option to Purchase: Permitted Second Lien Financing Creditors

Subject to the following paragraphs, any of the Permitted Second Lien Financing Creditors or Permitted Second Lien Creditor Representatives (on behalf of the relevant Permitted Second

Lien Financing Creditors) may, after an acceleration event under the Revolving Facility Agreement (a "**Revolving Acceleration Event**"), a Senior Acceleration Event, the issue of a Second Lien Payment Stop Notice that is continuing or during a Second Lien Standstill Period that is continuing, by giving not less than 10 days' notice to the Security Agent, require the transfer to such Permitted Second Lien Financing Creditors of all, but not part, of the rights, benefits and obligations in respect of the Revolving Liabilities or the Senior Liabilities if:

(a) that transfer is lawful and, subject to paragraph (b) below, otherwise permitted by the terms of the Revolving Finance Documents and the Senior Debt Documents pursuant to which any relevant Revolving Liabilities or Senior Liabilities (as the case may be) remain outstanding;

(b) any conditions relating to such a transfer contained in the Revolving Finance Documents and the Senior Debt Documents pursuant to which any Revolving Liabilities or Senior Liabilities (as the case may be) remain outstanding are complied with other than as specified in the Intercreditor Agreement;

(c) the Revolving Agent on behalf of the finance parties in relation to the Revolving Facility Agreement is paid the amounts required under the Intercreditor Agreement;

(d) the relevant Senior Agents on behalf of the Senior Secured Creditors are paid the amounts required under the Intercreditor Agreement;

(e) as a result of that transfer the Super Senior Secured Creditors or the Senior Secured Creditors (as applicable) have no further actual or contingent liability to the Parent or any other Debtor under the relevant debt documents;

(f) an indemnity is provided from each Permitted Second Lien Financing Creditor (other than any Permitted Second Lien Creditor Representative) (or from another third party acceptable to all the Super Senior Secured Creditors or the Senior Secured Creditors (as applicable)) in a form reasonably satisfactory to each Super Senior Secured Creditor or each Senior Secured Creditor (as applicable) in respect of all costs, expenses, losses and liabilities which may be sustained or incurred by any Super Senior Secured Creditor or any Senior Secured Creditor (as applicable) in consequence of any sum received or recovered by any Super Senior Secured Creditor or any Senior Secured Creditor (as applicable) from any person being required (or it being alleged that it is required) to be paid back by or clawed back from any Super Senior Secured Creditor or any Senior Secured Creditor (as applicable) for any reason; and

(g) the transfer is made without recourse to, or representation or warranty from, the Super Senior Secured Creditors or the Senior Secured Creditors (as applicable), except that each Super Senior Secured Creditor or each Senior Secured Creditor (as applicable) shall be deemed to have represented and warranted on the date of that transfer that it has the corporate power to effect that transfer and it has taken all necessary action to authorize the making by it of that transfer.

At the request of a Permitted Second Lien Creditor Representative (on behalf of all the Permitted Second Lien Financing Creditors), the relevant Revolving Agent and/or Senior Agent

shall notify the Permitted Second Lien Creditor Representatives of the foregoing payable sums in connection with such transfer.

Subject to the Intercreditor Agreement, any of the Permitted Second Lien Financing Creditors or a Permitted Second Lien Creditor Representative (on behalf of all the Permitted Second Lien Financing Creditors) may, by giving not less than 10 days' notice to the Security Agent, require a transfer of the hedging liabilities regulated by the Intercreditor Agreement if, at the same time, they require a transfer of the Super Senior Liabilities or all the Permitted Second Lien Financing Creditors (acting as a whole) require a transfer of the relevant hedging liabilities at any time on or after the Super Senior Discharge Date or a Permitted Second Lien Financing Acceleration Event has occurred and is continuing or a Second Lien Standstill Period has commenced and is continuing or a Second Lien Payment Stop Notice has been issued and is continuing.

Enforcement Action

The term "**Enforcement Action**" comprises:

(a) in relation to any liabilities:

- the acceleration of any liabilities or the making of any declaration that any liabilities are prematurely due and payable (other than as a result of it becoming unlawful for a Secured Creditor or a Senior Parent Creditor to perform its obligations under, or of any voluntary or mandatory prepayment arising under, any of the debt documents);
- the making of any declaration that any liabilities are payable on demand;
- the making of a demand in relation to a liability that is payable on demand;
- the making of any demand against any member of the Group in relation to any guarantee liabilities of that member of the Group;
- the exercise of any right to require any member of the Group to acquire any liability (including exercising any put or call option against any member of the Group for the redemption or purchase of any liability but excluding any such right which arises as a result of the permitted debt purchase transactions provisions of the Revolving Facility Agreement or the Senior Bridge Facilities Agreement (or any other similar or equivalent provision of any of the Secured Debt Documents) and/or any other acquisition of liabilities, acquisition or transaction which any member of the Group is not prohibited from entering into by the terms of the Secured Debt Documents and excluding any mandatory offer arising as a result of a change of control or asset sale (howsoever described) as set out in the Senior Notes Finance Documents or the Senior Parent Notes Finance Documents (or any other similar or equivalent provision of any of the Secured Debt Documents);
- the exercise of any right of set-off, account combination or payment netting against any member of the Group in respect of any liabilities other than the exercise of any such right:

  (i) as close-out netting by a Hedge Counterparty or by a hedging ancillary lender;

(ii) as payment netting by a Hedge Counterparty or by a hedging ancillary lender;

(iii) as inter-hedging agreement netting by a Hedge Counterparty;

(iv) as inter-hedging ancillary document netting by a hedging ancillary lender; and/or

(v) which is otherwise permitted by the terms of any of the Secured Debt Documents, in each case to the extent that the exercise of that right gives effect to a permitted payment; and

- the suing for, commencing or joining of any legal or arbitration proceedings against any member of the Group to recover any liabilities;

(b) the premature termination or close-out of any hedging transaction under any hedging agreement, save to the extent permitted by the Intercreditor Agreement;

(c) the taking of any steps to enforce or require the enforcement of any security (including the crystallization of any floating charge forming part of the security),

(d) the entry into any composition, compromise, assignment or similar arrangement with any member of the Group which owes any liabilities, or has given any security, guarantee or indemnity or other assurance against loss in respect of the liabilities (other than any action permitted under the Intercreditor Agreement or any debt buy-back, tender offer, exchange offer or similar or equivalent arrangement not otherwise prohibited by the debt documents); or

(e) the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, receiver, examiner, administrator or similar officer) in relation to the winding up, dissolution, examinership, administration or reorganization of any member of the Group which owes any liabilities, or has given any security, guarantee, indemnity or other assurance against loss in respect of any of the liabilities, or any of such member of the Group's assets or any suspension of payments or moratorium of any indebtedness of any such member of the Group, or any analogous procedure or step in any jurisdiction,

except that the following shall not constitute Enforcement Action:

- the taking of any action falling above which is necessary (but only to the extent necessary) to preserve the validity, existence or priority of claims in respect of liabilities, including the registration of such claims before any court or governmental authority and the bringing, supporting or joining of proceedings to prevent any loss of the right to bring, support or join proceedings by reason of applicable limitation periods; or

- a Secured Creditor or Senior Parent Creditor bringing legal proceedings against any person solely for the purpose of: (a) obtaining injunctive relief (or any analogous remedy outside England and Wales) to restrain any actual or putative breach of any debt document to which it is party, (b) obtaining specific performance (other than specific performance of an obligation to make a payment) with no claim for damages or (c) requesting judicial

interpretation of any provision of any debt document to which it is party with no claim for damages; or

- bringing legal proceedings against any person in connection with any securities violation, securities or listing regulations or common law fraud; or
- to the extent entitled by law, the taking of any action against any creditor (or any agent, trustee or receiver acting on behalf of that creditor) to challenge the basis on which any sale or disposal is to take place pursuant to the powers granted to those persons under any relevant documentation; or
- any person consenting to, or the taking of any other action pursuant to or in connection with, any merger, consolidation, reorganization or any other similar or equivalent step or transaction initiated or undertaken by a member of the Group (or any analogous procedure or step in any jurisdiction) that is not prohibited by the terms of the Secured Debt Documents to which it is a party.

Permitted Second Lien Enforcement

The restrictions set out in the caption "*—Restrictions on Enforcement by Permitted Second Lien Financing Creditors*" above will not apply if:

(a) a Permitted Second Lien Financing Event of Default (the "**Relevant Second Lien Default**") is continuing;

(b) the Revolving Agent and each Senior Agent has received a notice of the Relevant Second Lien Default specifying the event or circumstance in relation to the Relevant Second Lien Default from the relevant Permitted Second Lien Creditor Representative;

(c) a Second Lien Standstill Period (as defined below) has elapsed; and

(d) the Relevant Second Lien Default is continuing at the end of the relevant Second Lien Standstill Period.

Promptly upon becoming aware of a Permitted Second Lien Financing Event of Default, the relevant Permitted Second Lien Creditor Representative may by notice (a "**Second Lien Enforcement Notice**") in writing notify the Revolving Agent and the Senior Agents of the existence of such Permitted Second Lien Financing Event of Default.

Second Lien Standstill Period

In relation to a Relevant Second Lien Default, a Second Lien Standstill Period shall mean the period beginning on the date (the "**Second Lien Standstill Start Date**") the relevant Permitted Second Lien Creditor Representative serves a Second Lien Enforcement Notice on each of the Revolving Agent and the Senior Agents in respect of such Relevant Second Lien Default and ending on the earlier to occur of:

(a) the date falling 120 days after the Second Lien Standstill Start Date;

(b) the date the Primary Secured Parties (other than the Permitted Second Lien Financing Creditors) take any Enforcement Action in relation to a particular borrower or issuer of the relevant Permitted Second Lien Financing Liabilities (a "**Second Lien Borrower/Issuer**") or any guarantor of the relevant Permitted Second Lien Financing Liabilities (a "**Senior Parent Guarantor**"); provided, however, that if a Second Lien Standstill Period ends pursuant to this paragraph, the Permitted Second Lien Financing Creditors may only take the same Enforcement Action in relation to the relevant Second Lien Borrower/Issuer or Second Lien Guarantor as the Enforcement Action taken by the Primary Secured Parties (other than the Permitted Second Lien Financing Creditors) against such Second Lien Borrower/Issuer or Second Lien Guarantor and not against any other member of the Group;

(c) the date of an Insolvency Event in relation to the relevant Second Lien Borrower/Issuer or a particular Second Lien Guarantor against whom Enforcement Action is to be taken;

(d) the expiry of any other Second Lien Standstill Period outstanding at the date such first mentioned Second Lien Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy);

(e) the date on which the consent of each of the Revolving Agent (acting pursuant to a Required Super Senior Consent) and the Senior Agent (acting pursuant to a Required Senior Consent) has been obtained; and

(f) a failure to pay the principal amount outstanding under any Permitted Second Lien Financing Document at the final stated maturity of the amounts outstanding under that Permitted Second Lien Financing Document (provided that unless the Super Senior Discharge Date and the Senior Discharge Date has occurred or as otherwise agreed pursuant to a Required Super Senior Consent, a Required Senior Consent and the Parent, the final stated maturity does not fall on a date prior to the date falling 85 months after the date of first utilization of the Senior Debt,

(the "**Second Lien Standstill Period**").

Subsequent Second Lien Default

The Permitted Second Lien Financing Creditors may take Enforcement Action under the provisions set out in caption "*—Permitted Second Lien Enforcement*" above in relation to a Relevant Second Lien Default even if, at the end of any relevant Second Lien Standstill Period or at any later time, a further Second Lien Standstill Period has begun as a result of any other Permitted Second Lien Financing Event of Default.

Enforcement on Behalf of Permitted Second Lien Financing Creditors

If the Security Agent has notified the Permitted Second Lien Creditor Representatives that it is enforcing security created pursuant to any security document over shares of a Second Lien Borrower/Issuer or a Second Lien Guarantor, no Permitted Second Lien Financing Creditor may take any action referred to under the provisions set out under the caption "*—Permitted Second Lien Enforcement*" above against that Second Lien Borrower/Issuer or that Second Lien Guarantor (or any subsidiary of them) while the Security Agent is taking steps to enforce that security in

accordance with the instructions of an Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

Restrictions Relating to Senior Parent Creditors and Senior Parent Liabilities

Restriction on Payment and Dealings

The Intercreditor Agreement provides that, until the Primary Discharge Date, the Senior Parent Debt Issuer shall not (and the Parent shall ensure that no member of the Group will):

(a) pay, repay, prepay, redeem, acquire or defease any principal, interest or other amount on or in respect of, or make any distribution in respect of, any Senior Parent Liabilities in cash or in kind or apply any such money or property in or towards discharge of any Senior Parent Liabilities except as permitted by the provisions set out below under the captions "*—Permitted Senior Parent Payments*," "*—Permitted Senior Parent Enforcement*," and the fourth paragraph under the caption "*—Effect of Insolvency Event; Filing of Claims*" or by a refinancing of the Senior Parent Liabilities as permitted by the Intercreditor Agreement;

(b) exercise any set-off against any Senior Parent Liabilities, except as permitted by the provisions set out in the caption "*—Permitted Senior Parent Payments*," the provisions set out in the caption "*—Restrictions on Enforcement by Senior Parent Creditors*" or the fourth paragraph under the caption "*—Effect of Insolvency Event; Filing of Claims*" or by a refinancing of the Senior Parent Liabilities as permitted by the Intercreditor Agreement; or

(c) create or permit to subsist any security over any assets of any member of the Group or give any guarantee (and the Senior Parent Notes Trustee or Senior Parent Creditor Representative, as the case may be, may not, and no Senior Parent Creditor may, accept the benefit of any such security or guarantee from any member of the Group) for, or in respect of, any Senior Parent Liabilities other than:

    (i) guarantees by a member of the Group of any obligations of a member of the Group under the Senior Parent Notes Finance Documents and/or the Permitted Parent Financing Documents;

    (ii) at the option of the Parent, all or any of the security (provided that, for the avoidance of doubt, each of the parties agrees that the security shall rank and secure any Senior Parent Liabilities as set out in "*—Ranking and Priority-Priority of Security*");

    (iii) any security over any assets of any Senior Parent Debt Issuer (other than, without prejudice to paragraph (ii) above, any such assets over which a Senior Parent Debt Issuer has granted security);

    (iv) any other security or guarantee provided by a member of the Group (the "**Credit Support Provider**") provided that, to the extent legally possible:

(A) the Credit Support Provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity);

(B) all amounts actually received or recovered by the Senior Parent Notes Trustee, the Senior Parent Creditor Representative or the Senior Parent Creditors, as the case may be, with respect to any such security shall immediately be paid to the Security Agent and applied in accordance with the provisions set out under the caption "—*Application of Proceeds*;"

(C) any such security may only be enforced in accordance with the provisions set out under the caption "—*Enforcement of Security—Security Held by Other Creditors*;" and

(D) such guarantee is expressed to be subject to the Intercreditor Agreement; and

(v) any security, guarantee, indemnity or other assurance against loss from any member of the Group in connection with:

(A) any escrow or similar or equivalent arrangements entered into in respect of amounts which are being held (or will be held) by a person which is not a member of the Group prior to release of those amounts to a member of the Group; or

(B) any actual or proposed defeasance, redemption, prepayment, repayment, purchase or other discharge of any Super Senior Liabilities, Senior Liabilities, Operating Facility Liabilities, Senior Notes liabilities and any Permitted Senior Financing Liabilities (in each case provided that such defeasance, redemption, prepayment, repayment, purchase or other discharge is not prohibited by the terms of the Intercreditor Agreement).

Permitted Senior Parent Payments

Prior to the Primary Discharge Date, any member of the Group may make payments with respect to the Senior Parent Liabilities (such payments, collectively, "**Permitted Senior Parent Payments**"):

(a) if:

(i) the payment is of:

(A) any of the principal amount of the Senior Parent Liabilities which is either (1) not prohibited from being paid by the Revolving Finance Documents or the Senior Debt Documents or (2) paid on or after the final maturity date of the relevant Senior Parent Liabilities (subject to certain conditions); or

(B) any other amount which is not an amount of principal or capitalized interest;

(ii) no Super Senior/Senior/Second Lien/Senior Parent Payment Stop Notice (as defined below) is outstanding; and

(iii) no Super Senior Payment Default has occurred and is continuing;

(iv) no Senior Payment Default has occurred and is continuing;

(v) no payment default under the Permitted Second Lien Financing Documents has occurred and is continuing (the "**Second Lien Payment Default**"); or

(b) if (A) the Required Super Senior Consent and the Required Senior Consent have been obtained and (B) the Majority Permitted Second Lien Financing Creditors or the Permitted Second Lien Creditor Representative in respect of that Permitted Second Lien Financing Debt (as applicable) (the "**Required Second Lien Consent**") give prior consent to that payment being made;

(c) if the payment is of certain amounts due to the Senior Parent Notes Trustee for its own account;

(d) if the payment is made by the relevant Senior Parent Debt Issuer and funded directly or indirectly with amounts which have not been received by that Senior Parent Debt Issuer from another member of the Group;

(e) of any costs and expenses of any holder of security in relation to protection, preservation or enforcement of such security;

(f) of costs, commissions, taxes, fees and expenses incurred in respect of or in relation to (or reasonably incidental to) any of the Senior Parent Finance Documents and any Permitted Parent Financing Documents (including in relation to any reporting or listing requirements under such documents);

(g) if the payment is funded directly or indirectly with Permitted Parent Financing Debt and/or the proceeds of any indebtedness under any Senior Parent Notes;

(h) if the payment is funded directly or indirectly with the proceeds of a Shareholder Contribution or Subordinated Debt; or

(i) or any other amount not exceeding £5,000,000 in aggregate in any financial year of the Parent.

On or after the Primary Discharge Date, the Debtors may make payments in respect of the Senior Parent Liabilities at any time.

Senior Parent Payment Blockage Provisions

Until the Super Senior Discharge Date (except with the Required Super Senior Consent), the Senior Discharge Date (except with the Required Senior Consent) and the Permitted Second Lien Financing Discharge Date (except with the Required Second Lien Consent), no Senior Parent

Debt Issuer shall make (and the Parent shall procure that no other member of the Group will make), and neither the Senior Parent Notes Trustee, any holder of Senior Parent Notes, the Security Agent or the Permitted Parent Financing Creditors may receive from any other members of the Group, any Permitted Senior Parent Payment (other than roll-up or capitalization of any amount or certain amounts due to the Senior Parent Notes Trustee for its own account and subject to certain other exceptions) if:

(a) a Super Senior Payment Default, a Senior Payment Default and/or a Second Lien Payment Default is continuing; or

(b) a Revolving Event of Default (other than a Super Senior Payment Default), a Senior Event of Default (other than a Senior Payment Default) or a Permitted Second Lien Financing Event of Default (other than a Second Lien Payment Default) is continuing, from the date which is one business day after the date on which the Revolving Agent, any Senior Agent and/or any Permitted Second Lien Creditor Representative delivers a payment stop notice (a "**Super Senior/Senior/Second Lien/Senior Parent Payment Stop Notice**") specifying the event or circumstance in relation to that Revolving Event of Default, Senior Event of Default or Permitted Second Lien Financing Event of Default to the Parent, the Security Agent, the Senior Parent Notes Trustee and any Senior Parent Creditor Representative until the earliest of:

- the date falling 179 days after delivery of that Super Senior/Senior/Second Lien/Senior Parent Payment Stop Notice;

- in relation to payments of the Senior Parent Liabilities, if a Senior Parent Standstill Period is in effect at any time after delivery of that Super Senior/Senior/Second Lien/Senior Parent Payment Stop Notice, the date on which that standstill period expires;

- the date on which the relevant Revolving Event of Default, Senior Event of Default and/or Permitted Second Lien Financing Event of Default has been remedied or waived in accordance with the applicable Revolving Facility Agreement, Senior Debt Document or Permitted Second Lien Financing Document;

- the date on which the Revolving Agent, Senior Agent or Permitted Second Lien Creditor Representative which delivered the relevant Super Senior/Senior/Second Lien/Senior Parent Payment Stop Notice delivers a notice to the Parent, the Security Agent and the other Agents cancelling the Senior Parent Payment Stop Notice;

- the Primary Discharge Date; and

- the date on which the Security Agent, the Senior Parent Notes Trustee or any Senior Parent Creditor Representative takes Enforcement Action permitted under the Intercreditor Agreement against a Debtor.

Unless the Senior Parent Notes Trustee and any Senior Parent Creditor Representative waive this requirement, (i) a new Super Senior/Senior/Second Lien/Senior Parent Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the

immediately prior Super Senior/ Senior/Second Lien/Senior Parent Payment Stop Notice; and (ii) no Super Senior/Senior/Second Lien/ Senior Parent Payment Stop Notice may be delivered by the Revolving Agent, a Senior Agent or a Permitted Second Lien Creditor Representative in reliance on a Revolving Event of Default, a Senior Event of Default or a Permitted Second Lien Financing Event of Default more than 45 days after the date that Revolving Agent, Senior Agent or Permitted Second Lien Creditor Representative received notice of that Revolving Event of Default, Senior Event of Default or Permitted Second Lien Financing Event of Default.

The Revolving Agent, the Senior Agents and the Permitted Second Lien Creditor Representatives may only serve one Super Senior/ Senior/Second Lien/Senior Parent Payment Stop Notice with respect to the same event or set of circumstances. Subject to the immediately preceding paragraph, this shall not affect the right of the Revolving Agent, the Senior Agents and/or the Permitted Second Lien Creditor Representatives to issue a Super Senior/Senior/Second Lien/Senior Parent Payment Stop Notice in respect of any other event or set of circumstances.

No Super Senior/Senior/Second Lien/Senior Parent Payment Stop Notice may be served in respect of a Revolving Event of Default, Senior Event of Default or Permitted Second Lien Financing Event of Default which had been notified to the Agents at the time at which an earlier Super Senior/Senior/Second Lien/Senior Parent Payment Stop Notice was issued.

Any failure to make a payment due under any Senior Parent Finance Documents and any Permitted Parent Financing Documents as a result of the issue of a Super Senior/Senior/Second Lien/Senior Parent Payment Stop Notice or the occurrence of a Super Senior Payment Default, a Senior Payment Default or a Second Lien Payment Default shall not prevent (i) the occurrence of an Event of Default (as defined in any Senior Parent Indenture or any Permitted Parent Financing Agreement, as applicable) as a consequence of that failure to make a payment in relation to the relevant Senior Parent Notes Finance Document and any Permitted Parent Financing Documents; or (ii) the issue of a Senior Parent Enforcement Notice (as defined below) on behalf of the Senior Parent Creditors.

Payment Obligations and Capitalization of Interest Continue

Neither the relevant Senior Parent Debt Issuer nor any other Debtor shall be released from the liability to make any payment (including of default interest, which shall continue to accrue) under any Senior Parent Finance Document and any Permitted Parent Financing Document by the operation of the provisions set out under each section above under the caption "*—Restrictions Relating to Senior Parent Creditors and Senior Parent Liabilities*" even if its obligation to make such payment is restricted at any time by the terms of any of those provisions.

The accrual and capitalization of interest (if any) in accordance with any Senior Parent Finance Document and any Permitted Parent Financing Document shall continue notwithstanding the issue of a Super Senior/ Senior/Second Lien/Senior Parent Payment Stop Notice.

Cure of Payment Stop

If:

(a) at any time following the issue of a Super Senior/Senior/Second Lien/Senior Parent Payment Stop Notice or the occurrence of a Super Senior Payment Default or a Senior Payment Default, that Super Senior/Senior/Second Lien/Senior Parent Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Super Senior Payment Default or Senior Payment Default ceases to be continuing; and

(b) the relevant Senior Parent Debt Issuer or the relevant Debtor then promptly pays to the Senior Parent Creditors an amount equal to any payments which had accrued under any Senior Parent Finance Document or any Permitted Parent Financing Document and which would have been Permitted Senior Parent Payments but for that Super Senior/Senior/Second Lien/Senior Parent Payment Stop Notice, a Super Senior Payment Default or Senior Payment Default, then any event or circumstance specified to be an "Event of Default" in any of the Debt Financing Agreements (an "**Event of Default**") (including any cross default or similar provision under any other debt document) which may have occurred as a result of that suspension of payments shall be waived, and any Senior Parent Enforcement Notice which may have been issued as a result of that Event of Default shall be waived, in each case without any further action being required on the part of the Senior Parent Creditors or any other Creditor or Operating Facility Lender.

Restrictions on Amendments and Waivers

The Intercreditor Agreement provides that the Senior Parent Creditors, the Senior Parent Debt Issuer and the Debtors may amend or waive the terms of the Senior Parent Notes Finance Documents and/or the Permitted Parent Financing Documents in accordance with their terms at any time (and subject only to any consent required under them).

Restrictions on Enforcement by Senior Parent Creditors

Until the Primary Discharge Date, except with the prior consent of or as required by an Instructing Group:

(a) no Senior Parent Creditor shall direct the Security Agent to enforce, or otherwise require the enforcement of any security; and

(b) no Senior Parent Creditor shall take or require the taking of any Enforcement Action in relation to the guarantees by a member of the Group of any of the obligations of a Senior Parent Debt Issuer under the Senior Parent Notes Finance Documents and/or Permitted Parent Financing Documents,

except as permitted under the provisions set out below under the caption "*—Permitted Senior Parent Enforcement*" provided, however, that no such action required by the Security Agent need be taken except to the extent the Security Agent otherwise is entitled under the Intercreditor Agreement to direct such action.

Option to Purchase: Senior Parent Creditors

Subject to the following paragraphs, any of the Senior Parent Agents (on behalf of the Senior Parent Creditors) may, after a Revolving Acceleration Event, a Senior Acceleration Event or a Permitted Second Lien Financing Acceleration Event, by giving not less than 10 days' notice to the Security Agent, require the transfer to the Senior Parent Creditors of all, but not part, of the rights, benefits and obligations in respect of the Revolving Liabilities, the Senior Liabilities, the Permitted Second Lien Financing Liabilities and the Operating Facility Liabilities if:

(a) that transfer is lawful and, subject to paragraph (b) below, otherwise permitted by the terms of the Revolving Facility Agreement (in the case of the Revolving Liabilities), the relevant Senior Debt Documents (in the case of the Senior Liabilities), the relevant Permitted Second Lien Financing Documents (in the case of the Permitted Second Lien Financing Liabilities) and/or any Operating Facility Documents (in the case of the Operating Facility Liabilities) (as applicable);

(b) any conditions relating to such a transfer contained in the Revolving Facility Agreement (in the case of the Revolving Liabilities), the relevant Senior Debt Documents (in the case of the Senior Liabilities), the relevant Permitted Second Lien Financing Documents (in the case of the Permitted Second Lien Financing Liabilities) and/or any Operating Facility Documents (in the case of the Operating Facility Liabilities) are complied with, in each case, other than as specified in the Intercreditor Agreement;

(c) each of the Revolving Agent (on behalf of the Revolving Lenders), the relevant Senior Agent (on behalf of the relevant Senior Bridge Lenders, Senior Notes Creditors and the Permitted Senior Financing Creditors), is paid the amounts required under the Intercreditor Agreement;

(d) the Operating Facility Lenders are paid the amounts required under the Intercreditor Agreement;

(e) as a result of that transfer the Revolving Lenders, the Senior Bridge Lenders, the Senior Notes Creditors, the Permitted Senior Financing Creditors, the Permitted Second Lien Financing Creditors and the Operating Facility Lenders have no further actual or contingent liability to the Parent or any other Debtor under the relevant Secured Debt Documents;

(f) an indemnity is provided from each Senior Parent Creditor (other than any Senior Parent Agent) (or from another third party acceptable to the relevant creditors) in a form reasonably satisfactory to each Revolving Lender, Senior Bridge Lender, Senior Notes Creditor, Permitted Senior Financing Creditor, Permitted Second Lien Financing Creditor and Operating Facility Lender (as applicable) in respect of all costs, expenses, losses and liabilities which may be sustained or incurred by any Revolving Lender, Senior Bridge Lender, Senior Notes Creditor, Permitted Senior Financing Creditor, Permitted Second Lien Financing Creditor or Operating Facility Lender in consequence of any sum received or recovered by any such party from any person being required (or it being alleged that it is required) to be paid back by or clawed back from any Revolving Lender, Senior Bridge

Lender, Senior Notes Creditor, Permitted Senior Financing Creditor, Permitted Second Lien Financing Creditor or Operating Facility Lender for any reason; and

(g) the transfer is made without recourse to, or representation or warranty from, any Revolving Lender, Senior Bridge Lender, Senior Notes Creditor, Permitted Senior Financing Creditor, Permitted Second Lien Financing Creditor or Operating Facility Lender, except that each of them shall be deemed to have represented and warranted on the date of that transfer that it has the corporate power to effect that transfer and it has taken all necessary action to authorize the making by it of that transfer.

Subject to the Intercreditor Agreement, a Senior Parent Agent (on behalf of all the Senior Parent Creditors) may only require a Super Senior Liabilities Transfer and a Senior Liabilities Transfer if, at the same time, they require a transfer of hedging liabilities regulated by the Intercreditor Agreement and if, for any reason, such transfer cannot be made in accordance with the Intercreditor Agreement, no Super Senior Liabilities Transfer or Senior Liabilities Transfer may be required to be made.

At the request of a Senior Parent Agent (on behalf of all the Senior Parent Creditors), the Revolving Agent, the relevant Senior Agent, the Permitted Second Lien Creditor Representative and the Operating Facility Lenders shall notify the Senior Parent Agents of the foregoing payable sums in connection with such transfer.

Permitted Senior Parent Enforcement

The restrictions set out in the caption "*—Restrictions on Enforcement by Senior Parent Creditors*" above will not apply if:

(a) a Senior Parent Event of Default (the "**Relevant Senior Parent Default**") is continuing;

(b) the Revolving Agent and each Senior Agent has received a notice of the Relevant Senior Parent Default specifying the event or circumstance in relation to the Relevant Senior Parent Default from the Senior Parent Notes Trustee or the Senior Parent Creditor Representative, as the case may be;

(c) a Senior Parent Standstill Period (as defined below) has elapsed; and

(d) the Relevant Senior Parent Default is continuing at the end of the relevant Senior Parent Standstill Period.

Promptly upon becoming aware of a Senior Parent Event of Default, the Senior Parent Notes Trustee or the Senior Parent Creditor Representative, as the case may be, may by notice (a "**Senior Parent Enforcement Notice**") in writing notify the Revolving Agent and each Senior Agent of the existence of such Senior Parent Event of Default.

Senior Parent Standstill Period

In relation to a Relevant Senior Parent Default, a Senior Parent Standstill Period shall mean the period beginning on the date (the "**Senior Parent Standstill Start Date**") the relevant Senior

Parent Notes Trustee or the Senior Parent Creditor Representative, as the case may be, serves a Senior Parent Enforcement Notice on each of the Revolving Agent and the Senior Agents in respect of such Relevant Senior Parent Default and ending on the earlier to occur of:

(a) the date falling 179 days after the Senior Parent Standstill Start Date;

(b) the date the Primary Secured Parties take any Enforcement Action in relation to a particular guarantor of the Senior Parent Notes and any Permitted Parent Financing Debt (a "**Senior Parent Guarantor**"); provided, however, that if a Senior Parent Standstill Period ends pursuant to this paragraph, the Senior Parent Finance Parties may only take the same Enforcement Action in relation to the Senior Parent Guarantor as the Enforcement Action taken by the Primary Secured Parties against such Senior Parent Guarantor and not against any other member of the Group;

(c) the date of an Insolvency Event in relation to the relevant Senior Parent Debt Issuer or a particular Senior Parent Guarantor against whom Enforcement Action is to be taken;

(d) the expiry of any other Senior Parent Standstill Period outstanding at the date such first mentioned Senior Parent Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy);

(e) the date on which the consent of each of the Revolving Agent (acting pursuant to a Required Super Senior Consent), the Senior Agent (acting pursuant to a Required Senior Consent) and any Permitted Second Lien Creditor Representative (acting pursuant to a Required Second Lien Consent) has been obtained; and

(f) a failure to pay the principal amount outstanding under the Senior Parent Notes or on any Permitted Parent Financing Debt, as the case may be, at the final stated maturity of the amounts outstanding under the Senior Parent Notes or on the Permitted Parent Financing Debt, as the case may be (provided that (i) unless the Super Senior Discharge Date has occurred or is otherwise agreed pursuant to a Required Super Senior Consent and agreed by the Parent, such final stated maturity does not fall on a date prior to the date falling 85 months after the date of first utilization under the Revolving Facility Agreement, (ii) unless the Senior Discharge Date has occurred or is otherwise agreed pursuant to a Required Senior Consent and agreed by the Parent, such final stated maturity does not fall on a date prior to the date falling 85 months after the after the date of first utilization of any indebtedness under the Senior Debt Documents, and (iii) unless the Permitted Second Lien Financing Discharge Date has occurred or is otherwise agreed pursuant to a Required Second Lien Consent and agreed by the Parent, such final stated maturity does not fall on a date prior to the date falling 97 months after the date of first utilization of any indebtedness under the Permitted Second Lien Financing Documents),

(the "**Senior Parent Standstill Period**").

Subsequent Senior Parent Notes Default

The Senior Parent Finance Parties may take Enforcement Action under the provisions set out in caption "—*Permitted Senior Parent Enforcement*" above in relation to a Relevant Senior

Parent Default even if, at the end of any relevant Senior Parent Standstill Period or at any later time, a further Senior Parent Standstill Period has begun as a result of any other Senior Parent Event of Default.

Enforcement on Behalf of Senior Parent Creditors

If the Security Agent has notified each of the Senior Parent Notes Trustee and any Senior Parent Creditor Representative (collectively, the "**Senior Parent Agents**" and each, a "**Senior Parent Agent**") that it is enforcing security created pursuant to any security document over shares of a Senior Parent Guarantor, no Senior Parent Creditor may take any action referred to under the provisions set out under the caption "*—Permitted Senior Parent Enforcement*" above against that Senior Parent Guarantor while the Security Agent is taking steps to enforce that security in accordance with the instructions of an Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

Effect of Insolvency Event; Filing of Claims

The Intercreditor Agreement provides that, among other things, after the occurrence of an Insolvency Event in relation to any Debtor, or, following an acceleration event which is continuing, any member of the Group, any party entitled to receive a distribution out of the assets of that member of the Group in respect of liabilities owed to that party shall (in the case of any creditor or Operating Facility Lender, only to the extent that such distribution would otherwise constitute a receipt or recovery of a type subject to the provisions set out under the caption "*—Turnover by the Creditors*" and, in all cases, if prior to a distress event, only if required by the Security Agent acting on the instructions of an Instructing Group), subject to receiving payment instructions and any other relevant information from the Security Agent and to the extent it is able to do so, direct the person responsible for the distribution of the assets of that member of the Group to pay that distribution to the Security Agent until the liabilities owing to the Secured Parties have been paid in full. In this respect, the Security Agent shall apply distributions paid to it in accordance with the provisions set out under the caption "*—Application of Proceeds*."

Subject to certain exceptions, to the extent that any member of the Group's liabilities are discharged by way of set-off (mandatory or otherwise) after the occurrence of an Insolvency Event in relation to that member of the Group, any creditor and any Operating Facility Lender which benefited from that set-off shall (in the case of any creditor or Operating Facility Lender, only to the extent that the relevant discharge constitutes a receipt or recovery of a type subject to the provisions set out under the caption "*—Turnover by the Creditors*" and, in all cases, if prior to a distress event, only if required by the Security Agent acting on the instructions of an Instructing Group), subject to receiving payment instructions and any other relevant information from the Security Agent, pay an amount equal to the amount of the liabilities owed to it which are discharged by that set-off to the Security Agent for application in accordance with the provisions set out under the caption "*—Application of Proceeds*" and subject to certain exceptions.

Subject to the provisions set out under the caption "*—Application of Proceeds*," if the Security Agent or any other Secured Party receives a distribution in a form other than in cash in respect of any of the liabilities, the liabilities will not be reduced by that distribution until and except to the extent that the realization proceeds are actually applied towards the liabilities.

After the occurrence of an Insolvency Event in relation to any Debtor or, following an acceleration event which is continuing, any member of the Group, each creditor and each Operating Facility Lender irrevocably authorizes the Security Agent, on its behalf, to:

(a) take any Enforcement Action (in accordance with the terms of the Intercreditor Agreement) against that member of the Group;

(b) demand, sue, prove and give receipt for any or all of that member of the Group's liabilities;

(c) collect and receive all distributions on, or on account of, any or all of that member of the Group's liabilities; and

(d) file claims, take proceedings and do all other things the Security Agent considers reasonably necessary to recover that member of the Group's liabilities.

Each creditor and Operating Facility Lender will (i) do all things that the Security Agent reasonably requests in order to give effect to the matters referred to in this "—*Effect of Insolvency Event; Filing of Claims*" section and (ii) if the Security Agent is not entitled to take any of the actions contemplated by this "—*Effect of Insolvency Event; Filing of Claims*" section or if the Security Agent requests that a creditor or an Operating Facility Lender take that action, undertake that action itself in accordance with the instructions of the Security Agent or grant a power of attorney to the Security Agent (on such terms as the Security Agent may reasonably require, although a Senior Notes Trustee, a Permitted Second Lien Notes Trustee and the Senior Parent Notes Trustee shall be under no obligation to grant such powers of attorney) to enable the Security Agent to take such action.

Turnover by the Creditors

Subject to certain exceptions, the Intercreditor Agreement provides that if at any time prior to the Final Discharge Date, any Creditor or Operating Facility Lender receives or recovers from any member of the Group:

(a) any payment or distribution of, or on account of or in relation to, (i) any of the liabilities which is prohibited by the terms of the Intercreditor Agreement, or (ii) following the occurrence of the relevant distress event which is continuing, any Super Senior Liabilities, Senior Liabilities, Hedging Liabilities or Operating Facility Liabilities;

(b) other than as referred to in the second paragraph under the caption "—*Effect of Insolvency Event; Filing of Claims*" any amount by way of set-off in respect of any of the liabilities owed to it which does not give effect to a payment permitted under the Intercreditor Agreement;

(c) any amount:

    (i) on account of, or in relation to, any of the liabilities after the occurrence of a distress event including as a result of any litigation or proceedings against a member of the Group other than after the occurrence of an Insolvency Event in respect of that member of the Group; or

(ii) by way of set-off in respect of any of the liabilities owed to it after the occurrence of a distress event,

other than, in each case, (A) any amount received or recovered in accordance with the provisions set out below under the caption "—*Application of Proceeds*;" and (B) in the case of intra-Group liabilities, any amount received or recovered in accordance with the relevant provisions of the Intercreditor Agreement regulating the intra-Group lender and intra-Group liabilities (to the extent permitted to be received or recovered notwithstanding that an acceleration event is continuing);

(d) the proceeds of any enforcement of any security in accordance with the provisions set out below in the caption "—*Application of Proceeds*;" or

(e) subject to certain exceptions, any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by any member of Group which is not in accordance with the provisions set out in the caption "—*Application of Proceeds*" and which is made as a result of, or after, the occurrence of an Insolvency Event in respect of that member of the Group,

that Creditor or Operating Facility Lender will (in the case of any receipts and recoveries referred to in paragraph (e) above, if a distress event has not occurred, only if required by the Security Agent acting on the instructions of an Instructing Group), subject to certain exceptions: (i) in relation to receipts and recoveries not received or recovered by way of set-off (x) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for the Security Agent and subject to receiving payment instructions and any other relevant information from the Security Agent, promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement and (y) subject to receiving payment instructions and any other relevant information from the Security Agent, promptly pay an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) in relation to receipts and recoveries received or recovered by way of set-off, subject to receiving payment instructions and any other relevant information from the Security Agent, promptly pay an amount equal to that receipt or recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Enforcement of Security

Enforcement Instructions

The Security Agent may refrain from enforcing the security unless instructed otherwise by (i) an Instructing Group; (ii) if required as set out under the third paragraph of this section, the Majority Second Lien Creditors; or (iii) if required as set out under the fourth paragraph of this section, the Majority Senior Parent Creditors.

Subject to the security having become enforceable in accordance with its terms (i) an Instructing Group; (ii) to the extent permitted to enforce or to require the enforcement of the security prior to the Super Senior Discharge Date and the Senior Discharge Date as described

under the caption "—*Restrictions Relating to Second Lien Creditors and Permitted Second Lien Financing Liabilities*" above, the Majority Second Lien Creditors or (iii) to the extent permitted to enforce or to require the enforcement of the security prior to the Primary Discharge Date as described under the caption "—*Restrictions Relating to Senior Parent Creditors and Senior Parent Liabilities*" above, the Majority Senior Parent Creditors, may give or refrain from giving, instructions to the Security Agent to enforce, or refrain from enforcing, the security as they see fit.

Prior to the Super Senior Discharge Date and the Senior Discharge Date, (i) if an Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the security or (ii) in the absence of instructions from an Instructing Group, and, in each case, an Instructing Group has not required any Debtor to make a Distressed Disposal, the Security Agent shall give effect to any instructions to enforce the security which the Majority Second Lien Creditors are then entitled to give to the Security Agent as described under the caption "—*Restrictions Relating to Second Lien Creditors and Permitted Second Lien Financing Liabilities*" above.

Prior to the Primary Discharge Date, (i) if an Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the security or (ii) in the absence of instructions from an Instructing Group, and, in each case, an Instructing Group has not required any Debtor to make a Distressed Disposal, the Security Agent shall give effect to any instructions to enforce the security which the Majority Senior Parent Creditors are then entitled to give to the Security Agent as described under the caption "—*Restrictions Relating to Senior Parent Creditors and Senior Parent Liabilities*" above.

Subject to certain provisions of the Intercreditor Agreement, no Secured Party shall have any independent power to enforce, or to have recourse to enforce, any security or to exercise any rights or powers arising under the security documents except through the Security Agent.

Manner of Enforcement

If the security is being enforced as set forth above under the caption "—*Enforcement Instructions*," the Security Agent shall enforce the security in such manner (including, without limitation, the selection of any administrator, examiner or equivalent officer of any Debtor to be appointed by the Security Agent) as:

- an Instructing Group;

- prior to the Super Senior Discharge Date and the Senior Discharge Date, if (i) the Security Agent has, pursuant to the third paragraph under the caption "—*Enforcement of Security*" above, given effect to instructions given by the Majority Second Lien Creditors to enforce the security; and (ii) an Instructing Group has not given instructions as to the manner of enforcement of the security, the Majority Second Lien Creditors; or

- prior to the Primary Discharge Date, if (i) the Security Agent has, pursuant to the fourth paragraph under the caption "—*Enforcement of Security*" above, given effect to instructions given by the Majority Senior Parent Creditors to enforce the security; and (ii) an Instructing Group has not given instructions as to the manner of enforcement of the security, the Majority Senior Parent Creditors,

shall instruct or, in the absence of any such instructions, as the Security Agent sees fit (it being understood that, absent such instructions, the Security Agent may elect to take no action).

Exercise of Voting Rights

To the fullest extent permitted under applicable law, each Creditor (other than any Senior Notes Trustee, Permitted Second Lien Notes Trustee or Senior Parent Notes Trustee) and each Operating Facility Lender 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 shall give instructions for the purposes of this paragraph as directed by an Instructing Group. Notwithstanding the foregoing, no party can exercise or require any other creditor or Operating Facility Lender under the Intercreditor Agreement to exercise its power of voting or representation to waive, reduce, discharge, extend the due date for payment or otherwise reschedule any of the liabilities owed to that creditor or Operating Facility Lender.

Waiver of Rights

To the extent permitted under applicable law and subject to certain provisions of the Intercreditor Agreement, each of the Secured Parties and the Debtors waives all rights it may otherwise have to require that the security be enforced in any particular order or manner or at any particular time, or that any sum received or recovered from any person, or by virtue of the enforcement of any of the security or of any other security interest, which is capable of being applied in or towards discharge of any of the secured obligations, is so applied.

Security Held by Other Creditors

If any security is held by a Creditor or Operating Facility Lender other than the Security Agent, then that Creditor or Operating Facility Lender may only enforce that security in accordance with instructions given by an Instructing Group pursuant to the terms of the Intercreditor Agreement (and for this purpose references to the Security Agent shall be construed as references to that creditor or Operating Facility Lender).

Duties Owed

Pursuant to the Intercreditor Agreement, each of the Secured Parties and the Debtors acknowledges that, in the event that the Security Agent enforces, or is instructed to enforce, the security prior to the Primary Discharge Date, the duties of the Security Agent and of any receiver or delegate owed to any Senior Parent Creditors in respect of the method, type and timing of that enforcement or of the exploitation, management or realization of any of that security shall be no different to or greater than the duty that is owed by the Security Agent, receiver or delegate to the Debtors under general law.

Consultation Period

(a) Subject to paragraph (d) below, before giving any instructions to the Security Agent to enforce the security or refrain or cease from enforcing the security or to take any other

Enforcement Action, the creditor representative(s) of the creditors of the Group represented in the Instructing Group concerned (and, if applicable, any relevant Hedge Counterparties) shall consult with each other creditor representative of the Creditors of the Instructing Group, each other Hedge Counterparty, each Operating Facility Lender and the Security Agent in good faith about the instructions to be given by the Instructing Group for a period of not less than 10 business days (or, in the case of any consultation involving a Senior Notes Trustee, a Senior Parent Notes Trustee or a creditor representative in respect of any high-yield notes, debt securities or other similar instruments, 30 days) from the date on which details of the proposed instructions are received by such creditor representative(s), Hedge Counterparties, Operating Facility Lenders and the Security Agent (or such shorter period as each creditor representative, Hedge Counterparty, Operating Facility Lender and the Security Agent shall agree) (the "**Consultation Period**"), and only following the expiry of a Consultation Period shall the Instructing Group be entitled to give any instructions to the Security Agent to enforce the security or refrain or cease from enforcing the security or take any other Enforcement Action.

(b) Subject to paragraph (c) below, in the event conflicting instructions are received from any other Instructing Group, the Security Agent shall enforce the security, refrain or cease from enforcing the security or, as the case may be, take the relevant other Enforcement Action in accordance with the instructions given by an Instructing Group referred to in paragraph (a)(i)(A) of the definition of Instructing Group as set out above (in each case, provided that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the security documents) and the terms of all instructions given by any other Instructing Group shall be deemed revoked.

(c) Prior to the Super Senior Discharge Date, if:

(i) the Super Senior Secured Creditors have not been fully repaid within six months of the end of the first Consultation Period;

(ii) the Security Agent has not commenced any enforcement of the security (or a transaction in lieu thereof) or other Enforcement Action within three months of the end of the first Consultation Period; or

(iii) an Insolvency Event has occurred and the Security Agent has not commenced any enforcement of the security (or a transaction in lieu thereof) or other Enforcement Action at that time,

then the Security Agent shall follow the instructions given by the Majority Super Senior Creditors (in each case provided that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the relevant security documents).

(d) Subject to paragraph (c) above, no Agent or Hedge Counterparty shall be obliged to consult in accordance with paragraph (a) above and an Instructing Group shall be entitled to give any instructions to the Security Agent to enforce the security or take any other Enforcement Action prior to the end of a Consultation Period (in each case provided that such

instructions are consistent with any applicable requirements of the Intercreditor Agreement and the security documents) if:

(i) the security has become enforceable as a result of an Insolvency Event; or

(ii) the Instructing Group or any creditor representative of the creditors represented in the Instructing Group determines in good faith (and notifies each other creditor representative, the Hedge Counterparties and the Security Agent) that to enter into such consultations and thereby delay the commencement of enforcement of the security would reasonably be expected to have a material adverse effect on:

(A) the Security Agent's ability to enforce any of the security; or

(B) the realization proceeds of any enforcement of the security, and,

where this paragraph (d) applies:

(I) any instructions shall be limited to those necessary to protect or preserve the interests of the Super Senior Secured Creditors or Senior Secured Creditors (as applicable) on behalf of which the relevant Instructing Group is acting in relation to the matters referred to in sub-paragraphs (A) and (B) above; and

(II) the Security Agent shall act in accordance with the instructions first received.

Proceeds of Disposals

Non-Distressed Disposals

The Security Agent is irrevocably authorized and instructed (at the request and cost of the relevant Debtor or the Parent) to promptly release (or procure that any other relevant person releases):

(a) any security (and/or any other claim relating to a debt document) over any asset which is the subject of:

(i) a disposal not prohibited by the terms of the Revolving Facility Agreement, the Senior Bridge Facilities Agreement, any Senior Notes Indenture, any Permitted Senior Financing Agreement, any Permitted Second Lien Financing Agreement, any Senior Parent Notes Indenture and any Permitted Parent Financing Agreement (each a "**Debt Financing Agreement**") (including a disposal to a member of the Group, but without prejudice to any obligation of any member of the Group in a Debt Financing Agreement to provide replacement security); or

(ii) any other transaction not prohibited by the terms of any Debt Financing Agreement pursuant to which that asset will cease to be held or owned by a member of the Group;

(b) any security (and/or any other claim relating to a debt document) over any document or agreement in order for any member of the Group to effect any amendment or waiver in respect of that document or agreement or otherwise exercise any rights, comply with any obligations or take any action in relation to that document or agreement (in each case to the extent not prohibited by the terms of any Debt Financing Agreement);

(c) any security (and/or any other claim relating to a debt document) over any asset of any member of the Group which has ceased to be a Debtor or will cease to be a Debtor simultaneously with such release; and

(d) any security (and/or any other claim relating to a debt document) over any other asset to the extent that such release is in accordance with the terms of the Debt Financing Agreements.

In the case of a disposal of shares or other ownership interests in a Debtor (or any holding company of any Debtor), or any other transaction pursuant to which a Debtor (or any holding company of any Debtor) will cease to be a member of the Group or a Debtor (including in connection with the resignation of that Debtor or the Debtor being designated as an Unrestricted Subsidiary), the Security Agent (on behalf of itself and the Secured Parties) shall (at the request and cost of the relevant Debtor or the Parent) promptly release (or procure the release of) that Debtor and its subsidiaries from all present and future liabilities under the Secured Debt Documents and the respective assets of such Debtor and its subsidiaries from the security and the Secured Debt Documents.

When making any request for a release pursuant to this "—*Non-Distressed Disposals*" section, the Parent shall confirm in writing to the Security Agent that:

(a) in the case of any release requested pursuant to paragraph (a)(i) or (a)(ii) above, the relevant disposal or other action is not prohibited by the terms of any Debt Financing Agreement; or

(b) in the case of any release requested pursuant to paragraph (d) above, the relevant release is in accordance with terms of the Debt Financing Agreements;

and the Security Agent shall be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

The Security Agent shall (at the cost and expense of the relevant Debtor or the Parent but without the need for any further consent, sanction, authority or further confirmation from any creditor, Operating Facility Lender, other Secured Party or Debtor) promptly enter into such documentation and/or take such other action as the Parent (acting reasonably) shall require to give effect to any release or other matter described in the paragraph above.

If any member of the Group is required or permitted under the Revolving Finance Documents or the Senior Debt Documents to apply the proceeds of any disposal or other transaction in prepayment, redemption or any other discharge or reduction of any Super Senior Liabilities or Senior Liabilities (as applicable) then no such application of those proceeds shall require the consent of any other party or result in any breach of any Senior Parent Notes Finance Documents or Permitted Parent Financing Documents and any such application shall discharge in

full any obligation to apply those proceeds in prepayment, redemption or any other discharge or reduction of any Senior Parent Liabilities. This paragraph is without prejudice to any right of any member of the Group to apply any proceeds of any disposal or other transaction in prepayment, redemption or any other discharge or reduction of any Senior Parent Liabilities to the extent permitted or contemplated by the Intercreditor Agreement or any other Senior Debt Document.

The Security Agent is irrevocably authorized by each Secured Party to (and will on the request and at the cost of the Parent):

(i) release the security; and

(ii) release each investor, each Debtor and each other member of the Group from all liabilities, undertakings and other obligations under the Secured Debt Documents,

on the Final Discharge Date (or at any time following such date on the request of the Parent).

Distressed Disposals

Generally, a "**Distressed Disposal**" is a disposal of an asset of a member of the Group which is (a) being effected at the request of an Instructing Group in circumstances where a security interest has become enforceable in accordance with the terms of the relevant security document(s), (b) being effected by enforcement of a security interest in accordance with the terms of the relevant security document(s) or (c) being disposed of to a third-party subsequent to a distress event.

If a Distressed Disposal of any asset of a member of the Group is being effected, the Security Agent is irrevocably authorized (at the cost of the relevant Debtor or the Parent and without any consent, sanction, authority or further confirmation from any creditor, Operating Facility Lender, other Secured Party or Debtor):

(a) to release the security interest or any other claim over that asset and execute and deliver or enter into any release of that security interest 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;

(b) if the asset which 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, its guarantee liabilities and its other liabilities;

    (ii) any security interest granted by that Debtor or any subsidiary of that Debtor over any of its assets; and

    (iii) any other claim of an investor, an intra-Group lender, or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor,

    on behalf of the relevant creditors, Operating Facility Lenders, Debtors and certain creditor representatives;

(c) if the asset which 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, its guarantees liabilities and its other liabilities;

(ii) any security interest granted by that holding company or any subsidiary of that holding company over any of its assets; and

(iii) any other claim of any investor, any intra-Group lender or another Debtor over that holding company's assets or the assets of any subsidiary of that holding company,

on behalf of the relevant creditors, Operating Facility Lenders, Debtors and certain creditor representatives;

(d) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to dispose of all or any part of the liabilities or the Debtor liabilities owed by that Debtor or holding company or any subsidiary of that Debtor or holding company:

(i) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does not intend that any transferee of those liabilities or Debtor liabilities (the "**Transferee**") will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of all or part of those liabilities or Debtor liabilities; provided that, notwithstanding any other provision of any debt document, the Transferee shall not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement; and

(ii) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does intend that any Transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of:

(A) all (and not part only) of the liabilities owed to the Primary Creditors and the Operating Facility Lenders; and

(B) all or part of any other liabilities and the Debtor liabilities,

on behalf of, in each case, the relevant creditors, Operating Facility Lenders and Debtors;

(e) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the "**Disposed Entity**") and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to transfer to another Debtor (the "**Receiving Entity**") all or any part of the Disposed Entity's obligations or any obligations of any subsidiary of that Disposed Entity in respect of the intra-Group liabilities or the Debtor liabilities, to execute and deliver or enter into any agreement to:

(A) agree to the transfer of all or part of the obligations in respect of those intra-Group liabilities or Debtor liabilities on behalf of the relevant intra-Group lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and

(B) (if the Receiving Entity is a holding company of the Disposed Entity which is also a guarantor of Super Senior Liabilities or Senior Liabilities) to accept the transfer of all or part of the obligations in respect of those intra-Group liabilities or Debtor liabilities on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those intra-Group liabilities or Debtor liabilities are to be transferred.

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of liabilities or Debtor liabilities) shall be paid to the Security Agent for application in accordance with the provisions set out under the caption "—*Application of Proceeds*" (to the extent that the asset disposed of constituted secured assets) as if those proceeds were the proceeds of an enforcement of the relevant security interest and, to the extent that any disposal of liabilities or Debtor liabilities has occurred, as if that disposal of liabilities or Debtor liabilities had not occurred.

In the case of a Distressed Disposal effected by, or at the request of, the Security Agent (acting in accordance with the Intercreditor Agreement), the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (though the Security Agent shall not have any obligation to postpone any such Distressed Disposal or disposal of liabilities in order to achieve a higher price).

Where borrowing liabilities, guarantee liabilities and/or other liabilities in relation to a member of the Group would otherwise be released pursuant to the terms of the Intercreditor Agreement, the Creditor or Operating Facility Lender concerned may elect to have those borrowing liabilities, guarantee liabilities and/or, as the case may be, other liabilities transferred to the Parent in which case the Security Agent is irrevocably authorized (to the extent legally possible and at the cost of the relevant Debtor or the Parent and without any consent, sanction, authority or further confirmation from any creditor, Operating Facility Lender, other Secured Party or Debtor) to execute such documents as are required to so transfer those liabilities.

Subject to the immediately following paragraph, in the case of a Distressed Disposal effected by or at the request of the Security Agent (acting in accordance with the Intercreditor Agreement), unless the consent of each Senior Agent is otherwise obtained, it is a further condition to any release, transfer or disposal that the proceeds of such disposal are in cash (or substantially all in cash) and such sale or disposal is made pursuant to a "public auction" in respect of which the Primary Creditors are entitled to participate or, in circumstances where the Security Agent (acting in good faith) considers that a public auction is not reasonably practicable taking into account all relevant circumstances or following an attempted public auction the Primary Creditors (other than the Permitted Second Lien Financing Creditors and the Senior Parent Creditors) make the highest final binding offer of all the offers received but that offer is less than the aggregate par value of the Primary Liabilities (other than the Permitted Second Lien Financing Liabilities and the Senior Parent Liabilities), an independent financial adviser has delivered an opinion in respect

of such sale or disposal that the amount received in connection therewith is fair from a financial point of view taking into account all relevant circumstances, including the method of enforcement, provided that the liability of such financial adviser may be limited to the amount of its fees in respect of such engagement (it being acknowledged that the Security Agent shall have no obligation to select or engage any financial adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

If prior to the Permitted Second Lien Financing Discharge Date a Distressed Disposal is being effected such that, generally, any Permitted Second Lien Financing Liabilities will be released or disposed of or any security securing the Permitted Second Lien Financing Liabilities will be released, it is a further condition to the release that either:

- each Permitted Second Lien Creditor Representative has approved the release; or
- where shares or assets of a borrower, issuer or guarantor in respect of the Permitted Second Lien Financing Liabilities are sold:

  (a) the proceeds of such sale or disposal are in cash (or substantially in cash);

  (b) all claims of the Super Senior Secured Creditors, the Senior Secured Creditors, the Senior Notes Creditors, the Permitted Senior Financing Creditors and the Operating Facility Lenders (other than in relation to performance bonds or guarantees or similar instruments) against a member of the Group (if any), all of whose shares (other than any minority interest not owned by members of the Group) or assets are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates), and all security interests under the security documents in respect of the shares or assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale; provided that, if each of the Revolving Agent, Senior Bridge Agent, any Senior Notes Trustee and any relevant senior secured creditor representative (acting reasonably and in good faith):

     (i) determines that the Super Senior Secured Creditors or the Senior Secured Creditors (as applicable) will recover a greater amount if such claim is sold or otherwise transferred to the purchaser or one of its affiliates and not released or discharged; and

     (ii) serves a written notice on the Security Agent confirming the same,

  the Security Agent shall be entitled to sell or otherwise transfer such claim to the purchaser or one of its affiliates; and

  (c) such sale or disposal is made:

     (i) pursuant to a public auction in respect of which the Primary Creditors are entitled to participate; or

(ii) in circumstances where the Security Agent (acting in good faith) considers that a public auction is not reasonably practicable taking into account all relevant circumstances or following an attempted public auction the Primary Creditors (other than the Permitted Second Lien Financing Creditors and the Senior Parent Creditors) make the highest final binding offer of all the offers received but that offer is less than the aggregate par value of the Primary Liabilities (other than the Permitted Second Lien Financing Liabilities and the Senior Parent Liabilities), an independent financial adviser has delivered an opinion in respect of such sale or disposal, that the amount received in connection therewith, generally, is fair from a financial point of view taking into account all relevant circumstances, including the method of enforcement, provided that the liability of such financial adviser may be limited to the amount of its fees in respect of such engagement (it being acknowledged that the Security Agent shall have no obligation to select or engage any financial adviser unless it shall have been indemnified and/ or secured and/or prefunded to its satisfaction).

If prior to the Senior Parent Discharge Date a Distressed Disposal is being effected such that, generally, the guarantees of the Senior Parent Notes and the guarantees of any Permitted Parent Financing Debt or any security over the assets of a Senior Parent Debt Issuer or any Senior Parent Guarantor will be released and/or the Senior Parent Notes Liabilities and any Permitted Parent Financing Liabilities will be released or disposed of, it is a further condition to the release that either:

- the Senior Parent Notes Trustee and any Senior Parent Creditor Representative has approved the release; or
- where shares or assets of a Senior Parent Guarantor or assets of a Senior Parent Debt Issuer are sold:

(a) the proceeds of such sale or disposal are in cash (or substantially in cash); and

(b) all claims of the Super Senior Secured Creditors, Senior Secured Creditors and the Operating Facility Lenders (other than in relation to performance bonds or guarantees or similar instruments) against a member of the Group (if any), all of whose shares (other than any minority interest not owned by members of the Group) or assets are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates), and all security interests under the security documents in respect of the shares or assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale; provided that, if each of the Revolving Agent and the Senior Agent (acting reasonably and in good faith):

(i) determines that the Super Senior Secured Creditors or the Senior Secured Creditors (as applicable) will recover a greater amount if such claim is sold

or otherwise transferred to the purchaser or one of its affiliates and not released or discharged; and

(ii) serves a written notice on the Security Agent confirming the same,

the Security Agent shall be entitled to sell or otherwise transfer such claim to the purchaser or one of its affiliates; and

(c) such sale or disposal is made:

(i) pursuant to a public auction in respect of which the Primary Creditors are entitled to participate; or

(ii) where a financial adviser selected by the Security Agent has delivered an opinion in respect of such sale or disposal, that the amount received in connection therewith, generally, is fair from a financial point of view taking into account all relevant circumstances, including the method of enforcement, provided that the liability of such financial adviser may be limited to the amount of its fees in respect of such engagement (it being acknowledged that the Security Agent shall have no obligation to select or engage any financial adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

Application of Proceeds

Order of Application

The Intercreditor Agreement provides that all amounts from time to time received or recovered by the Security Agent pursuant to the terms of the debt documents or in connection with the realization or enforcement of all or any part of the relevant security interests (for the purposes of this "—*Application of Proceeds*" section and the "—*Equalization*" section, the "**Recoveries**") shall be applied by the Security Agent at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of this "—*Application of Proceeds*" section), in the following order of priority:

(a) in discharging any sums owing to the Revolving Agent (in respect of the amounts due to the Revolving Agent), each Senior Agent (in respect of the amounts due to the relevant Senior Agent), each Permitted Second Lien Creditor Representative (in respect of the amounts due to the relevant Permitted Second Lien Creditor Representative) and any Senior Parent Creditor Representative (in respect of amounts due to the relevant Senior Parent Creditor Representative), certain amounts payable to the Senior Notes Trustee, any Permitted Second Lien Notes Trustee or Senior Parent Notes Trustee, or any sums owing to the Security Agent, any receiver or any delegate on a pro rata and *pari passu* basis;

(b) in payment of all costs and expenses incurred by certain creditor representatives, any Primary Creditor or any Operating Facility Lender in connection with any realization or enforcement of the security taken in accordance with the terms of the Intercreditor

Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;

(c) in payment to:

(i) the Revolving Agent on its own behalf and on behalf of the Revolving Arrangers and the Revolving Lenders;

(ii) the Hedge Counterparties; and

(iii) the Operating Facility Lenders;

for application towards the discharge of:

(A) the liabilities of the Debtors owed to the Revolving Arrangers under or in connection with Revolving Facility Agreement and the Revolving Liabilities (in accordance with the terms of the Revolving Finance Documents);

(B) the Hedging Liabilities (on a pro rata basis between the Hedging Liabilities of each Hedge Counterparty); and

(C) the Operating Facility Liabilities (on a pro rata basis between the Operating Facility Liabilities of each Operating Facility Lender);

on a pro rata basis and *pari passu* between paragraphs (A) to (C) above;

(d) in payment to:

(i) the Senior Bridge Agent on its own behalf and on behalf of the Senior Bridge Arrangers and the Senior Bridge Lenders;

(ii) each Senior Notes Trustee on its own behalf and on behalf of the holders of the Senior Notes; and

(iii) each Permitted Senior Creditor Representative on its own behalf and on behalf of the arrangers with respect to the Permitted Senior Financing Debt and the Permitted Senior Financing Creditors;

for application towards the discharge of:

(A) the Senior Bridge Arranger Liabilities and the Senior Bridge Liabilities (in accordance with the terms of the Senior Bridge Finance Documents);

(B) the Senior Notes liabilities (other than sums owing to the Security Agent) (in accordance with the terms of the Senior Notes Finance Documents);

(C) the liabilities of the Debtors owing to the arrangers of the Permitted Senior Financing Debt and the Permitted Senior Financing Liabilities (other than the liabilities owing to a Senior Creditor Representative) (in accordance with the terms of the Permitted Senior Financing Documents and, if there is more than one Permitted Senior Financing Agreement, on a pro rata basis between the Permitted Senior Financing Debt in respect of each Permitted Senior Financing Agreement);

on a pro rata basis and *pari passu* between paragraphs (A) to (C) to above;

(e) in payment to each Permitted Second Lien Creditor Representative on its own behalf and on behalf of the arrangers with respect to the Permitted Second Lien Financing Debt and the Permitted Second Lien Financing Creditors, for application towards the discharge of the liabilities of the Debtors owing to the arrangers of the Permitted Second Lien Financing Debt and the Permitted Second Lien Financing Liabilities (other than the liabilities owing to a Permitted Second Lien Creditor Representative) (in accordance with the terms of the Permitted Second Lien Financing Documents and, if there is more than one Permitted Second Lien Financing Agreement, on a pro rata basis between the Permitted Second Lien Financing Debt in respect of each Permitted Second Lien Financing Agreement);

(f) in payment to:

(i) each Senior Parent Notes Trustee on its own behalf and on behalf of the Senior Parent Noteholders; and

(ii) each Senior Parent Creditor Representative on its own behalf and on behalf of the arrangers under the Permitted Parent Financing Debt and the Permitted Parent Financing Creditors,

for application towards the discharge of:

(A) the Senior Parent Notes Liabilities (other than any sums owing to the Security Agent) (in accordance with the terms of the Senior Parent Notes Finance Documents); and

(B) the liabilities of the Debtors owed to the arrangers of the Permitted Parent Financing Debt and the Permitted Parent Financing Liabilities (other than the liabilities owing to a Senior Parent Creditor Representative) (in accordance with the terms of the Permitted Parent Financing Documents and, if there is more than one Permitted Parent Financing Agreement, on a pro rata basis between the Permitted Parent Financing Debt in respect of each Permitted Parent Financing Agreement),

on a pro rata basis and *pari passu* between the immediately preceding paragraphs (A) and (B) above;

(g) if none of the Debtors is under any further actual or contingent liability under any Secured Debt Document, in payment to any person to whom the Security Agent is obliged to pay in priority to any Debtor; and

(h) the balance, if any, in payment to the relevant Debtor.

The Security Agent is authorized under the Intercreditor Agreement to hold any non-cash consideration received or recovered in connection with the realization or enforcement of all or any part of the security until cash is received for any such non-cash consideration, provided that the Security Agent may distribute any such non-cash consideration to a Secured Party which has agreed, on terms satisfactory to the Security Agent, to receive such non-cash consideration and the liabilities owed to that Secured Party shall be reduced by an amount equal to the value of that non-cash consideration upon receipt by that Secured Party of that non-cash consideration.

Liabilities of the Senior Parent Debt Issuer

Generally, all amounts from time to time received or recovered by the Security Agent from or in respect of the Senior Parent Debt Issuer pursuant to the terms of any debt document (other than in connection with the realization or enforcement of all or any part of the relevant security interests) shall be held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law, in the following order of priority:

(a) in accordance with paragraph (a) under the caption "*—Application of Proceeds-Order of Application*;"

(b) in accordance with paragraph (b) under the caption "*—Application of Proceeds-Order of Application*;"

(c) in accordance with paragraphs (c) to (f) under the caption "*—Application of Proceeds—Order of Application*," provided that payments will be made on a pro rata basis and *pari passu* between each of the payments referred to in the foregoing paragraphs (c) and (to the extent relating to liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where the relevant Senior Parent Debt Issuer is the issuer or, as the case may be, the borrower) (f);

(d) if none of the Debtors is under any further actual or contingent liability under any Secured Debt Document, in payment to any person to whom the Security Agent is obliged to pay in priority to any Debtor; and

(e) the balance, if any, in payment to the relevant Debtor.

Equalization

The Intercreditor Agreement generally provides that:

(a) if, for any reason, any Senior Liabilities remain unpaid after the relevant enforcement date and the resulting losses are not borne by the relevant Senior Secured Creditors in the

proportions which their respective exposures at the enforcement date bore to the aggregate exposures of all the relevant Senior Secured Creditors at the relevant enforcement date (or, in the case of Recoveries resulting from the realization or enforcement of all or any part of the security interests or a transaction in lieu thereof, in a manner reflecting the order of priority contemplated in the section captioned "*—Application of Proceeds—Order of Application*"), the relevant Senior Secured Creditors will make such payments among themselves as the Security Agent shall require to put the relevant Senior Secured Creditors in such a position that (after taking into account such payments) those losses are borne in those proportions (or, as the case may be, to otherwise reflect the order of priority contemplated in the section captioned "*—Application of Proceeds—Order of Application*");

(b) if, for any reason, any Permitted Second Lien Financing Liabilities remain unpaid after the relevant enforcement date and the resulting losses are not borne by the Permitted Second Lien Financing Creditors in the proportions which their respective exposures at the enforcement date bore to the aggregate exposures of all the relevant Permitted Second Lien Financing Creditors at the relevant enforcement date (or, in the case of Recoveries resulting from the realization or enforcement of all or any part of the security interests or a transaction in lieu thereof, in a manner reflecting the order of priority contemplated in the section captioned "*—Application of Proceeds—Order of Application*"), the relevant Permitted Second Lien Financing Creditors will make such payments among themselves as the Security Agent shall require to put the relevant Permitted Second Lien Financing Creditors in such a position that (after taking into account such payments) those losses are borne in those proportions (or, as the case may be, to otherwise reflect the order of priority contemplated in the section captioned "*—Application of Proceeds—Order of Application*"); and

(c) if, for any reason, any Super Senior Liabilities or Operating Facility Liabilities remain unpaid after the relevant enforcement date and the resulting losses are not borne by the relevant Super Senior Secured Creditors and the Operating Facility Lenders in the proportions which their respective exposures at the enforcement date bore to the aggregate exposures of all the relevant Super Senior Secured Creditors and the Operating Facility Lenders at the relevant enforcement date (or, in the case of Recoveries resulting from the realization or enforcement of all or any part of the security interests or a transaction in lieu thereof, in a manner reflecting the order of priority contemplated in the section captioned "*—Application of Proceeds—Order of Application*"), the relevant Super Senior Secured Creditors and the Operating Facility Lenders will make such payments among themselves as the Security Agent shall require to put the relevant Super Senior Secured Creditors and the Operating Facility Lenders in such a position that (after taking into account such payments) those losses are borne in those proportions (or, as the case may be, to otherwise reflect the order of priority contemplated in the section captioned "*—Application of Proceeds—Order of Application*").

Required Consents

The Intercreditor Agreement provides that, subject to certain exceptions, it and/or a security document may be amended or waived only with the written consent of:

(a) if the relevant amendment or waiver (the "**Proposed Amendment**") is prohibited by the Revolving Facility Agreement, the Revolving Agent (acting on the instructions of the Majority Revolving Lenders);

(b) if the Proposed Amendment is prohibited by the Senior Debt Documents, the relevant Senior Agent (acting on the instructions of the requisite Senior Secured Creditors) or, in respect of any Senior Notes that have been issued, the Senior Notes Trustee;

(c) if the Proposed Amendment is prohibited by the Permitted Second Lien Financing Document, the relevant Permitted Second Lien Creditor Representative (acting on the instructions of the requisite Permitted Second Lien Financing Creditors) or, in respect of any Permitted Second Lien Financing Debt constituted by notes that have been issued, the Permitted Second Lien Notes Trustee in respect thereof;

(d) if any Senior Parent Notes have been issued and the Proposed Amendment is prohibited by the terms of the relevant Senior Parent Notes Indenture, the Senior Parent Notes Trustee;

(e) if any Permitted Parent Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Parent Financing Agreement, the Senior Parent Creditor Representative in respect of that Permitted Parent Financing Debt (if applicable, acting on the instructions of the Majority Permitted Parent Financing Creditors);

(f) if a Hedge Counterparty is providing hedging to a Debtor under a Hedging Agreement, that Hedge Counterparty (in each case only to the extent that the relevant amendment or waiver adversely affects the continuing rights and/or obligations of that Hedge Counterparty and is an amendment or waiver which is expressed to require the consent of that Hedge Counterparty under the applicable Hedging Agreement, as notified by the Parent to the Security Agent at the time of the relevant amendment or waiver);

(g) if an Operating Facility Lender is providing one or more facility to a Debtor under an Operating Facility Document, that Operating Facility Lender (in each case only to the extent that the relevant amendment or waiver adversely affects the continuing rights and/or obligations of that Operating Facility Lender and is an amendment or waiver which is expressed to require the consent of that Operating Facility Lender under the applicable Operating Facility Document, as notified by the Parent to the Security Agent at the time of the relevant amendment or waiver);

(h) certain investors as permitted under the Intercreditor Agreement; and

(i) the Parent.

Notwithstanding the foregoing, any amendment or waiver of any Secured Debt Document that is made or effected in connection with any Debt Refinancing (see "*—Debt Refinancing*" above), any incurrence of additional and/or refinancing debt (as referred to in "*—Ranking and Priority—Additional and/or Refinancing Debt*" above) or "non-Distressed Disposal" (see "*—Proceeds of Disposals—Non-Distressed Disposals*") or any other provision of the Intercreditor

Agreement or in connection with any other provision of any Secured Debt Document (provided that such amendment or waiver is not expressly prohibited by the terms of any other Secured Debt Document) shall be binding on all parties to the Intercreditor Agreement.

The Intercreditor Agreement or a security document may be amended by the Parent and the Security Agent without the consent of any other party, to cure defects or omissions, resolve ambiguities or inconsistencies or reflect changes of a minor, technical or administrative nature, or as otherwise for the benefit of all or any of the Secured Parties.

Any amendment, waiver or consent which relates only to the rights or obligations applicable to creditors under a particular Debt Financing Agreement (and which does not materially and adversely affect the rights or interests of creditors under other Debt Financing Agreements) may be approved with only the consent of the creditor representative in respect of that Debt Financing Agreement and the Parent.

Amendments and Waivers: Security Documents

Subject to the paragraph below and to certain exceptions under the Intercreditor Agreement and unless the provisions of any debt document expressly provide otherwise, the Security Agent may, if authorized by an Instructing Group, and if the Parent consents, amend the terms of, waive any of the requirements of or grant consents under, any of the security documents which shall be binding on each party.

Subject to the second and third paragraphs of the section captioned "—*Exceptions*," any amendment or waiver of, or consent under, any security document which would adversely affect the nature or scope of the charged property or the manner in which the proceeds of enforcement of the security are distributed requires approval as set out under the section captioned "—*Required Consents*."

Guarantees

The Intercreditor Agreement additionally provides for Hedge Counterparties and Operating Facility Lenders (each as defined above) to receive guarantees and indemnities from the Debtors on substantially the same terms (including the relevant limitations) as such guarantees and indemnities are provided by the obligors to the finance parties under the Revolving Facility Agreement.

Exceptions

Subject to the following paragraphs of this "—*Exceptions*" section, an amendment, waiver or consent which adversely relates to the express rights or obligations of an agent, an arranger or the Security Agent (in each case in such capacity) may not be effected without the consent of that agent, that arranger or the Security Agent (as the case may be) at such time.

The foregoing shall not apply:

- to any release of security, claim or liabilities; or

- to any consent,

which, in each case, the Security Agent gives in accordance with the provisions set out in the caption "—*Proceeds of Disposals*" above.

The first paragraph of this "—*Exceptions*" section shall apply to an arranger only to the extent that the arranger liabilities are then owed to that arranger.

Agreement to Override

Unless expressly stated otherwise in the Intercreditor Agreement, the Intercreditor Agreement overrides anything in the debt documents to the contrary.

Governing law

The Intercreditor Agreement is governed by English law.

Non-Recourse Facilities

The Group has two non-recourse committed asset-backed securitization facilities, being the Sterling Non-Recourse Facility and the Euro Non-Recourse Facility.

The Sterling Non-Recourse Facility

The Sterling Non-Recourse Facility is a £100 million revolving senior loan note facility secured against a portfolio of UK unsecured non-performing consumer debt receivables ("**Receivables**") and is governed by an English Law senior loan note issuance agreement which certain entities within the Target Group entered into on April 30, 2019 (the "**Sterling Non-Recourse Facility**"). Interest on the Sterling Non-Recourse Facility is payable at a rate equal to LIBOR (floored at zero) plus a margin of 3.1% per annum.

The Borrower under the Sterling Non-Recourse Facility is AGL Fleetwood Limited, a special purpose vehicle (the "**Sterling Non-Recourse Borrower**").

Borrowing under the Sterling Non-Recourse Facility is governed by a borrowing base mechanism which determines the availability of senior funding and, in simplified terms, is calculated by taking the 84-Month ERC on a rolling look-forward basis ("**Borrowing Base**"). The Borrowing Base is multiplied by an advance rate of 55% and, if on any monthly calculation date the balance of the senior loan notes exceeds this amount, a borrowing base breach ("**Borrowing Base Breach**") occurs. A Borrowing Base Breach has a number of adverse consequences including acting as a drawstop and, if not cured, an event of default. In addition, under certain circumstances, where actual collections in respect of the receivables are below 85% of forecast collections this can result in an early amortization of the facility.

The Sterling Non-Recourse Facility is treated as a "securitization" for the purposes of Regulation (EU) 2017/2402 (the "**EU Securitization Regulation**") and as such, Arrow Global Limited has agreed to certain undertakings in connection with the EU Securitization Regulation (including an obligation to retain a net economic interest of not less than 5% in the securitization)

pursuant to the terms of the Sterling Non-Recourse Facility which, if breached, will result in an event of default under the Sterling Non-Recourse Facility.

The Sterling Non-Recourse Facility also includes other customary events of default.

The Sterling Non-Recourse Facility originally had a five year term, comprising an initial two year revolving period, followed by a three year amortization period with an option to extend by one year, subject to lender consent. The Target Group has sold additional Receivables to the Sterling Non-Recourse Borrower at various points in time since the Sterling Non-Recourse Facility Agreement was originally concluded in April 2019.

On July 31, 2019, the Target Group sold a further Receivable with £44 million of ERC into the Sterling Non-Recourse Borrower and subsequently borrowed an additional £25 million non-recourse funding on the same terms agreed under the Sterling Non-Recourse Facility. On March 31, 2020, the Group sold receivables with £30 million of ERC into the Sterling Non-Recourse Borrower and on April 2, 2020, borrowed an additional £21 million non-recourse funding on the same terms agreed under the Sterling Non-Recourse Facility.

During July 2020, the Target Group entered into further arrangements in connection with the Sterling Non-Recourse Facility to mitigate the potential impact of the COVID-19 pandemic on collections in respect of the Receivables. Additional Receivables with £33.0 million of ERC were sold into the structure with no additional borrowings made. In consideration for the additional Receivables pledged, the lender agreed to amend certain performance criteria. As of June 30, 2021, the outstanding balance of the senior loan notes under the Sterling Non-Recourse Facility was £54.7 million.

The Euro Non-Recourse Facility

The Euro-Non Recourse Facility is an asset backed term senior loan note facility that has been used to acquire certain Portuguese portfolio investments including certain unrated notes, non-performing loans previously acquired by Arrow Global Limited and an intercompany loan used to acquire shares in certain REOcos (being special purpose vehicles that own real estate that has been foreclosed on) (the "**Euro Non-Recourse Portfolio**"). The Euro Non-Recourse Facility was entered into on June 30 2021 and is amortizing on each quarterly payment date according to an amortization schedule. The tenor of the Euro Non-Recourse Facility is three years with an option to extend by a further year.

The Borrower under the Euro Non-Recourse Facility is AGL Fleetwood 2 Limited, a special purpose vehicle (the "**Sterling Non-Recourse Borrower**").

Interest on the Euro Non-Recourse Facility is payable at EURIBOR (floored at zero) plus a margin of 4.25% per annum (rising to 6% per annum if the tenor is extended beyond three years).

If during any monthly collection period, gross collections in respect of the Euro Non-Recourse Portfolio is less than 90% of forecasted gross collections, a termination event ("**Termination Event**") occurs which, if not cured, leads to an event of default under the Euro Non-Recourse Facility.

The Euro Non-Recourse Facility is treated as a "securitization" for the purposes of the EU Securitization Regulation and as such, Arrow Global Limited has agreed to certain undertakings in connection with the EU Securitization Regulation (including an obligation to retain a net economic interest of not less than 5% in the securitization) pursuant to the terms of the Euro Non-Recourse Facility which, if breached, will result in an event of default under the Euro Non-Recourse Facility.

The Euro Non-Recourse Facility also includes other customary events of default.

As of June 30, 2021, the outstanding principal balance of the Euro Non-Recourse Facility was €48.0 million.

Collateral

As of June 30, 2021, the Non-Recourse Facilities had £284.1 million of portfolio investments pledged as collateral.

Governing law

The Non-Recourse Facilities are governed by English law.

Miscellaneous Facilities

The Group has various miscellaneous debt factoring and uncommitted overdraft facilities provided by certain financial institutions in relation to the Target Group's cash management and other administrative requirements in the territories in which the Target Group operates. The Group's Miscellaneous Facilities comprise of account receivables purchase agreements, factoring agreements (on a non-recourse basis), supplier agreements and other miscellaneous facilities. The Miscellaneous Facilities are non-recourse facilities. The Miscellaneous Facilities will remain outstanding as of the Issue Date. As of June 30, 2021, the outstanding balance under the Miscellaneous Facilities was £3.1 million.

DESCRIPTION OF THE NOTES

Sherwood Financing plc (the "**Issuer**") will issue and the Guarantors (as defined herein) will guarantee €640,000,000 senior secured floating rate notes due 2027 (the "**Euro Floating Rate Notes**"), €400,000,000 4.500% senior secured notes due 2026 (the "**Euro Fixed Rate Notes**"), and £350,000,000 6.000% senior secured notes due 2026 (the "**Sterling Notes**" and, together with the Euro Floating Rate Notes and the Euro Fixed Rate Notes, the "**Notes**") in this Offering. The Issuer is a public limited company incorporated under the laws of England and Wales, which has been organized as a special purpose finance subsidiary of Sherwood Parentco Limited (the "**Parent**"), a private limited company incorporated under the laws of England and Wales, to facilitate the offering of debt securities and which has no operations and no assets other than its rights under the Proceeds Loan Agreement pursuant to which it on-lends the proceeds of the Offering to Sherwood Financing 2 Limited ("**Finco**"). The Issuer will be dependent on payments on the Proceeds Loan (as defined herein) in order to service the Notes.

The gross proceeds of the Offering will be used by the Issuer (i) to provide the Proceeds Loan to Finco on or about the Issue Date and (ii) to pay certain fees and expenses associated with the Offering. Finco will use the proceeds from the Proceeds Loan (i) to repay a portion of the amounts outstanding under the Revolving Facility, (a) certain of which were on-lent to Sherwood Acquisitions Limited ("**Bidco**") and will be used by Bidco to finance a portion of the costs in connection with the Transactions (other than the Offering) and (b) certain of which were on-lent to the Target and its subsidiaries (the "**Target Group**") to repay and cancel the Arrow Global Revolving Credit Facility and (ii) to provide the Target Loans to the Target Group to redeem and cancel the Existing Notes (as defined herein). See "*Use of Proceeds*."

In this "*Description of the Notes*," the "**Parent**" refers only to Sherwood Parentco Limited, the parent of the Issuer, and any successor obligor to Sherwood Parentco Limited on the Parent Guarantee (as defined herein), and not to any of its subsidiaries, including the Issuer; and the "**Issuer**" refers only to Sherwood Financing plc, and any successor obligor to Sherwood Financing plc on the Notes.

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 Parent, the other Guarantors (as defined herein), Sherwood Midco Limited, the direct parent of the Parent ("**Midco**") and GLAS Trust Company LLC, as trustee (the "**Trustee**"). The Notes will be issued in private transactions that are not subject to the registration requirements of the Securities Act (as defined herein). See "*Transfer Restrictions.*" The terms of the Notes include those stated in the Indenture. The Indenture will not be qualified under, incorporate provisions by reference to, or otherwise be subject to, the Trust Indenture Act of 1939, as amended.

The Indenture, the Notes and the Note Guarantees (as defined herein) will be subject to the terms of the Intercreditor Agreement (as defined herein) and any additional intercreditor agreements entered into in the future. The terms of the Intercreditor Agreement are important to understand the terms and ranking of the Liens on the Collateral securing the Notes and the Note Guarantees. See "*Description of Other Indebtedness—Intercreditor Agreement*" for a description of the material terms of the Intercreditor Agreement.

This "*Description of the Notes*" is intended to be an overview of the material provisions of the Indenture, the Notes, the Note Guarantees and the Proceeds Loan Agreement. Since this description of the terms of the Notes is only a summary, you should refer to the Indenture for complete descriptions of the obligations of the Issuer, Midco and the Guarantors, and your rights. Copies of the Indenture, the form of Notes and the Intercreditor Agreement will be available as set forth under "*Where You Can Find More Information.*"

Summary Description of the Notes

The Notes

The Notes will:

- be senior obligations of the Issuer;
- be secured by the Collateral described below along with obligations of the Issuer under the Revolving Facilities Agreement, Hedging Obligations and certain operating facilities (although any liabilities in respect of obligations under the Revolving Facilities Agreement, Hedging Obligations and certain operating facilities 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);
- rank *pari passu* in right of payment with all of the Issuer's existing and future Indebtedness that is not subordinated in right of payment to the Notes;
- be senior to all of the Issuer's existing and future Subordinated Indebtedness (as defined herein);
- be effectively senior to all of the Issuer's existing and future unsecured indebtedness to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes; and
- be guaranteed by the Guarantors on a joint and several basis, subject to the guarantee limitations described herein.

Principal and Maturity

On the Issue Date, the Issuer will issue €640,000,000 aggregate principal amount of Euro Floating Rate Notes, €400,000,000 aggregate principal amount of Euro Fixed Rate Notes and £350,000,000 aggregate principal amount of Sterling Notes.

The Euro Floating Rate Notes will mature on November 15, 2027. The Euro Floating Rate Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Euro Fixed Rate Notes will mature on November 15, 2026. The Euro Fixed Rate Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Sterling Notes will mature on November 15, 2026. The Sterling Notes will be issued in minimum denominations of £100,000 and in integral multiples of £1,000 in excess thereof.

The rights of holders of beneficial interests in the Notes to receive the payments on such Notes are subject to applicable procedures of Euroclear and/or Clearstream.

If the due date for any payment in respect of any Notes is not a Business Day, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day, and will not be entitled to any further interest or other payment as a result of any such delay.

Interest

Euro Floating Rate Notes

Interest on the Euro Floating Rate Notes will accrue at a rate per annum computed against the principal outstanding on the Euro Floating Rate Notes (the "**Applicable Rate**"), reset quarterly, equal to three-month EURIBOR (with a 0% floor), plus 4.625%, as determined by the calculation agent (the "**Calculation Agent**"), which shall initially be Global Loan Agency Services Limited.

Interest on the Euro Floating Rate Notes will be payable in cash quarterly in arrears on February, May 15, August 15 and November 15 of each year, commencing on February 15, 2022, to Holders of record on the immediately preceding Business Day. Interest on the Euro Floating Rate Notes will accrue from the Issue date or, if interest has already been paid, from the date it was most recently paid.

If the interest payment date in respect of any Euro Floating Rate Notes is not a Business Day, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day, and will not be entitled to any further interest or other payment as a result of any such delay.

The Calculation Agent will, as soon as practicable after 11:00 a.m. London time, on each Determination Date, determine the Applicable Rate, and calculate the aggregate amount of interest payable on the Euro Floating Rate Notes in respect of the following Interest Period (the "**Interest Amount**"). The Interest Amount will be calculated by applying the Applicable Rate to the principal amount of Euro Floating Rate Notes outstanding at the commencement of the Interest Period, multiplying such amount by the actual number 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 0.04876545) being rounded to 4.87655% (or 0.0487655)). All euro amounts used in or resulting from 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 binding on all parties. The Trustee and the Paying Agent shall not be responsible for, nor incur any liability in connection with, any loss resulting from any calculation made, or intended to be made, by the Calculation Agent.

The Calculation Agent will, upon the written request of the holder of any Euro Floating Rate Notes, provide the interest rate then in effect with respect to the Euro Floating Rate Notes. The rights of holders of beneficial interests in the Euro Floating Rate Notes to receive the payments

of interest on the Euro Floating Rate Notes will be subject to applicable procedures of Euroclear and Clearstream, as applicable.

Interest will be computed on the basis of a 360-day year and the actual number of days elapsed. The Applicable Rate on the Euro Floating Rate Notes will in no event be higher than the maximum rate permitted by applicable law.

Set forth below is a summary of certain defined terms used in the Indenture relating to the calculation of interest on the Euro Floating Rate Notes.

"**Determination Date**," with respect to an Interest Period, will be the day that is two TARGET Settlement Days preceding the first day of such Interest Period, except that the initial determination date shall be February 15, 2022.

"**EURIBOR**," with respect to an Interest Period, will be 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 page EURIBOR01 of the Thomson Reuters screen (or any replacement Thomson Reuters page which displays that rate), as of 11:00 a.m. Brussels time, on the Determination Date. Unless the immediately following paragraph applies, if such Thomson Reuters page does not include such a rate or is unavailable on a Determination Date, the Issuer will request the principal office of each of four major banks in the euro zone interbank market, as selected by the Issuer in consultation with 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 interbank 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 Issuer will request each of three major banks in London, as selected by the Issuer in consultation with 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 two 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. In no event shall EURIBOR be less than 0.00%.

In the event that EURIBOR is no longer being calculated or administered, is no longer generally representative of the underlying market which EURIBOR seeks to represent on the Issue Date or is otherwise no longer generally accepted in the euro zone for the purposes of determining floating rates of interest in respect of euro-denominated securities, the rate of interest on the Euro Floating Rate Notes will thereafter be determined on an alternative basis by reference to any successor rate (including any generally accepted adjustment spread) generally accepted in the euro zone for the purposes of determining floating rates of interest in respect of euro-denominated securities which originally referenced EURIBOR, as identified by the Issuer in good faith; provided that, in the event that there is no generally accepted successor rate to EURIBOR in the

good faith judgment of the Issuer, the Issuer, in consultation with an independent financial advisor, shall determine a reasonably appropriate alternative basis for determining the rate of interest (and including any applicable adjustment spread to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to holders of the Euro Floating Rate Notes as a result of the replacement of EURIBOR) on the Euro Floating Rate Notes; provided, however, that any such alternative basis adopted pursuant to this paragraph shall in all cases not be less than 0.00%. Following the adoption of an alternative basis pursuant to this paragraph, all references to "**EURIBOR**" in the Indenture shall be deemed to refer to such alternative basis. The Issuer shall promptly thereafter notify the holders on the Euro Floating Rate Notes and (by way of an Officer's Certificate) the Calculation Agent of the alternative basis for determining the rate of interest of the Euro Floating Rate Notes in place of EURIBOR, and the Calculation Agent shall be entitled to rely on such Officer's Certificate (without further enquiry, investigation, verification or liability of any kind whatsoever) as sufficient evidence thereof. Holders of the Euro Floating Rate Notes shall be bound by any such alternative basis without any further action or consent by the holders of the Euro Floating Rate Notes or the Trustee. Under the terms of the Indenture, the Trustee shall be permitted to agree, without consent of the Holders of the Euro Floating Rate Notes, to make conforming changes to the provisions (as recommended or put forward by an independent financial adviser) to reflect the mechanics for the determination of interest under the chosen alternative basis.

"**Thomson Reuters Page EURIBOR01**" means the display page so designated on Thomson Reuters (or such other page as may replace that page on that service, or, if no such page is available, such other service as may be nominated as the information vendor).

"**euro zone**" means the region comprised of member states of the European Union that 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 the Issue Date and end on and exclude February 15, 2022.

"**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.

"**TARGET Settlement Day**" means any day on which the TARGET (Trans-European Automated Real-time Gross settlement Express Transfer system) is open.

Euro Fixed Rate Notes

Interest on the Euro Fixed Rate Notes will accrue at the rate of 4.500% per annum on the principal outstanding on the Euro Fixed Rate Notes. Interest on the Euro Fixed Rate Notes will be payable in cash, semi-annually in arrears on May 15 and November 15 of each year, commencing on May 15, 2022, to Holders of record on the immediately preceding Business Day. Interest on the Euro Fixed Rate 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 Euro Fixed Rate

Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months. Each interest period shall end on (but not include) the relevant interest payment date.

If the interest payment date in respect of any Euro Fixed Rate Notes is not a Business Day, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day, and will not be entitled to any further interest or other payment as a result of any such delay.

Sterling Notes

Interest on the Sterling Notes will accrue at the rate of 6.000% per annum on the principal outstanding on the Sterling Notes. Interest on the Sterling Notes will be payable in cash, semi-annually in arrears on May 15 and November 15 of each year, commencing on May 15, 2022, to Holders of record on the immediately preceding Business Day. Interest on the Sterling 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 Sterling Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months. Each interest period shall end on (but not include) the relevant interest payment date.

If the interest payment date in respect of any Sterling Notes is not a Business Day, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day, and will not be entitled to any further interest or other payment as a result of any such delay.

Additional Notes

From time to time, subject to the Parent's compliance with the covenant described under the heading "*—Certain covenants—Limitation on Indebtedness*," the Issuer is permitted to issue additional Notes, which shall be subject to the provisions of the Indenture, except as otherwise specified in or consequent on the terms specified in an Officer's Certificate provided by the Issuer to the Trustee and the Paying Agent ("**Additional Notes**"). The Officer's Certificate will set out:

(1) the title of such Additional Notes;

(2) the aggregate principal amount of such Additional Notes;

(3) the date or dates on which such Additional Notes will be issued;

(4) the rate or rates (which may be fixed or floating) at which such Additional Notes shall bear interest and, if applicable, the interest rate basis, formula or other method of determining such interest rate or rates, the date or dates from which such interest shall accrue, the interest payment dates on which such interest shall be payable or the method by which such dates will be determined, the record dates for the determination of holders thereof to whom such interest is payable and the basis upon which such interest will be calculated;

(5) the currency or currencies in which such Additional Notes shall be denominated and the currency in which cash or government obligations in connection with such series of Additional Notes may be payable;

(6) the date or dates and price or prices at which, the period or periods within which, and the terms and conditions upon which, such Additional Notes may be redeemed, in whole or in part;

(7) the denominations in which such Additional Notes shall be issued and redeemed;

(8) the ISIN, Common Code, CUSIP or other securities identification numbers with respect to such Additional Notes; and

(9) the date or dates on which such Additional Notes shall mature.

Unless the context otherwise requires, for all purposes of the Indenture and this "**Description of the Notes**," references to (i) "**Notes**" shall be deemed to include references to the Notes to be issued on the Issue Date as well as any Additional Notes, (ii) "**Additional Notes**" shall be deemed to include references to Additional Notes that are Euro Floating Rate Notes, Euro Fixed Rate Notes, Sterling Notes and any other Additional Notes issued under the Indenture, (iii) "**Euro Floating Rate Notes**" shall be deemed to include references to the Euro Floating Rate Notes to be issued on the Issue Date as well as any Additional Notes that are Euro Floating Rate Notes, (iv) "**Euro Fixed Rate Notes**" shall be deemed to include references to the Euro Fixed Rate Notes to be issued on the Issue Date as well as any Additional Notes that are Euro Fixed Rate Notes, and (v) "**Sterling Notes**" shall be deemed to include references to the Sterling Notes to be issued on the Issue Date as well as any Additional Notes that are Sterling Notes. Additional Notes shall be treated, along with all other Notes, as a single class for the purposes of the Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for such series. For all purposes other than U.S. federal income tax purposes, Additional Notes shall be deemed to form one series with any Notes previously issued if they have terms substantially identical in all material respects to such other Notes. In the event that any Additional Notes sold pursuant to Rule 144A are not fungible with any Notes previously issued for U.S. federal income tax purposes, such non-fungible Additional Notes shall be issued with a separate ISIN, Common Code, CUSIP or other securities identification number, as applicable, so that they are distinguishable from such previously issued Notes. Additional Notes sold pursuant to Regulation S from time to time may at the option of the Issuer be issued with the same ISIN, Common Code, CUSIP or other securities identification number as Notes belonging to the same series previously issued without being fungible with such series of initial Notes for U.S. federal income tax purposes. **If you are a U.S. holder (as defined in "*Certain Tax Considerations—Certain U.S. Federal Income Tax Considerations*") considering the purchase of Notes sold pursuant to Regulation S as part of this offering or in the secondary market, you should consult your tax advisors concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of such Notes, including with respect to the potential issuance of Additional Notes that are not fungible with the applicable series of initial Notes for U.S. federal income tax purposes, but which nevertheless are not capable of being separately identified.**

Methods of Receiving Payments on the Notes

Principal, premium, if any, interest and Additional Amounts (as defined under "—*Additional Amounts*"), if any, on the Global Notes (as defined under "*—Transfer and Exchange*")

will be payable at the specified office or agency of one or more Paying Agents (as defined under "*—Paying Agent, Registrar and Transfer Agent for the Notes*"); *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 Euroclear or Clearstream, as applicable, 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 one or more Paying Agents maintained for such purposes. In addition, interest on the Definitive Registered Notes may be paid by wire transfer to the Person entitled thereto as shown on the register for the Definitive Registered Notes. See "*—Paying Agent, Registrar and Transfer Agent for the Notes.*"

Paying Agent, Registrar and Transfer Agent for the Notes

The Issuer will maintain one or more paying agents (each, a "**Paying Agent**") for the Notes for so long as the Notes are held in registered form. The initial Paying Agent for the Notes will be GLAS Trust Company LLC.

The Issuer will also maintain (i) one or more registrars (each, a "**Registrar**") and (ii) a transfer agent (the "**Transfer Agent**"). The initial Registrar and Transfer Agent will be GLAS Trust Company LLC. The Registrar will maintain a register reflecting ownership of Definitive Registered Notes outstanding from time to time, if any, and the Paying Agent and the Transfer Agent (as applicable) will make payments on and facilitate transfers of Definitive Registered Notes on behalf of the Issuer. The Transfer Agent shall perform the functions of a transfer agent.

The Issuer may change any Paying Agent, Calculation Agent, Registrar or Transfer Agent for the Notes without prior notice to the Holders. However, for so long as the Notes are listed on the Official List of The International Stock Exchange (the "**Exchange**"), and if and to the extent that the rules of The International Stock Exchange Authority Limited (the "**Authority**") so require, the Issuer will notify the Authority of any change of Paying Agent, Registrar or Transfer Agent. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

Transfer and Exchange

The Notes will be issued in the form of one or more registered notes in global form without interest coupons, as follows:

- Each series of the 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**").

- The 144A Global Notes will, on the Issue Date, 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.

- Each series of the Notes sold to persons who are not U.S. persons and are outside the United States in offshore transactions 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 Regulation S Global Notes will, on the Issue Date, 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 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 or participants in Clearstream will be effected by Euroclear or Clearstream, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, as applicable, and their 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 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.

Prior to 40 days after the date of initial issuance of the Notes, ownership of Book-Entry Interests in Regulation S Global Notes will be limited to Persons that have accounts with Euroclear or Clearstream or Persons who hold interests through Euroclear or Clearstream, and any sale or transfer of such interest to U.S. persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A under the Securities Act. Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a Person who takes delivery in the form of 144A Book-Entry Interests 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 to a Person who the transferor reasonably believes is a "**qualified institutional buyer**" 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 "*Transfer Restrictions*" and in accordance with any applicable securities law of any other jurisdiction.

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.

In the event Additional Notes are issued pursuant to Regulation S that bear the same ISIN, Common Code, CUSIP or other securities identification number as Notes belonging to the same

series previously issued, without being fungible with such series of initial Notes for U.S. federal income tax purposes, Book-Entry Interests in the Regulation S Global Notes that form part of that series, including in respect of investors that hold Book-Entry Interests in the Regulation S Global Notes on or prior to the date of issuance of such Additional Notes, will not be eligible for transfer to Book-Entry Interests in a Rule 144A Global Note (if any) representing Notes of that same series. Such a restriction could adversely impact the liquidity of sales of Book-Entry Interests in the Regulation S Global Notes. See also "*Risk Factors—Risks relating to our financial profile, the Notes and the Guarantees—Additional Notes sold pursuant to Regulation S may not be fungible with existing Notes for U.S. federal income tax purposes*," "*Book-Entry, Delivery and Form—Transfers*" and "*—Additional Notes*."

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of £100,000 or €100,000 aggregate principal amount and integral multiples of £1,000 or €1,000 in excess thereof, as the case may be, 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 or Clearstream, as applicable, 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 Board of Directors or an Officer of the Parent or 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 or €100,000 in aggregate principal amount and integral multiples of £1,000 or €1,000 in excess thereof, as the case may be. 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 or Clearstream, as applicable, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer will not be required to register the transfer or exchange of any Definitive Registered 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;

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer (as defined under "*—Change of Control*") or an

Asset Disposition Offer (as defined under "—*Certain covenants—Limitation on sales of assets and Subsidiary stock*"); or

(5) to register the transfer of or to exchange a Note between a record date and the next succeeding interest payment date.

The Issuer, the Trustee, the Paying Agent, the Registrar and the Transfer Agent will be entitled to treat the Holder as the owner of it for all purposes.

Restricted Subsidiaries and Unrestricted Subsidiaries

All the Parent's Subsidiaries are Restricted Subsidiaries on the Issue Date, except for our Jersey fund management group, consisting of (i) AGG Capital Management (Holdco) Limited ("**ACMH**"), (ii) AGG Capital Management Limited ("**ACML**"), which is ACMH's direct Subsidiary and our main fund management entity, and (iii) ACML's Subsidiaries, which include, among others, general partners of the various funds managed by ACML. Each of the foregoing is an Unrestricted Subsidiary. In the circumstances described below under the definition of "**Unrestricted Subsidiary**," the Parent will be permitted to designate additional Restricted Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants contained in the Indenture.

Note Guarantees

On or about the Issue Date, the obligations of the Issuer pursuant to the Notes will be unconditionally guaranteed, jointly and severally, by the Parent, Finco and Bidco (the "**Initial Guarantors**"). As soon as reasonably practicable, and in any case no later than the Backstop Date, subject to the Agreed Security Principles, the obligations of the Issuer pursuant to the Notes will be unconditionally guaranteed, jointly and severally, by the Target and certain material wholly owned Restricted Subsidiaries of the Parent (the "**Additional Guarantors**").

Each guarantee of the Notes is referred to as a "**Note Guarantee**;" each Restricted Subsidiary that provides a guarantee of the Notes (a "**Subsidiary Note Guarantee**") is referred to herein as a "**Subsidiary Guarantor**," and together with the Parent as the "**Guarantors**." The Initial Guarantors will include each entity that has guaranteed the Revolving Facilities Agreement (in addition to the Issuer) as of October 6, 2021.

In addition, after the Issue Date, in accordance with the covenant described under "—*Certain covenants—Additional Note Guarantees and Collateral*," under certain circumstances, the Parent will cause a Restricted Subsidiary that is not a Guarantor to become a Guarantor. The new Guarantor will also, subject to the Agreed Security Principles, be required to pledge assets in favor of the Subsidiary Note Guarantee as described under "—*Security*."

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Revolving Facilities Agreement and the Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by applicable law, general statutory limitations, financial assistance, corporate benefit, fraudulent preference, "thin capitalization" rules, retention of title claims and similar matters. See "*Description of Other Indebtedness—Intercreditor Agreement*."

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 financial profile, the Notes and the Guarantees—Each Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.*"

The Note Guarantee provided by the Parent (the "**Parent Guarantee**") and the Subsidiary Note Guarantee of a Subsidiary Guarantor will terminate upon:

(1) in the case of a Subsidiary Note Guarantee only, a sale or other disposition (including by way of consolidation or merger) of Capital Stock of the relevant Guarantor or of a Holding Entity 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 Parent or a Restricted Subsidiary), in each case in a transaction otherwise permitted by the Indenture;

(2) in the case of a Subsidiary Note Guarantee only, the designation in accordance with the Indenture of the relevant Guarantor as an Unrestricted Subsidiary;

(3) 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 or about the Issue Date) to the extent that the relevant Guarantor becomes a Guarantor solely due to the operation of the first paragraph of the covenant described under "*—Certain covenants—Additional Note Guarantees and Collateral*," upon the release of the relevant guarantee or discharge of Indebtedness referred to in such paragraph;

(5) in the case of any Note Guarantee given by any parent of the IPO Pushdown Entity, pursuant to the provisions described below under "*—IPO Pushdown*;"

(6) upon full payment of all obligations of the Issuer and the Guarantors under the Indenture and the Notes; or

(7) in connection with certain enforcement actions taken by the creditors under certain of our secured Indebtedness as provided under the Intercreditor Agreement.

Claims of creditors of non-guarantor Subsidiaries and Permitted Purchase Obligations SPVs, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those Subsidiaries and Permitted Purchase Obligations SPVs, and claims of preferred and minority stockholders (if any) of those Subsidiaries and Permitted Purchase Obligations SPVs will have priority with respect to the assets and earnings of those Subsidiaries and Permitted Purchase

Obligations SPVs over the claims of creditors of the Issuer or the Guarantors, 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 current and future Subsidiaries of the Parent that do not become Guarantors and any Permitted Purchase Obligations SPVs.

Security

The Collateral

No later than the Issue Date, subject to the operation of the Agreed Security Principles, certain perfection requirements, the applicable Transaction Security Documents and the grant of further Permitted Collateral Liens, the Notes and the Note Guarantees will be secured by certain security granted in favor of the Security Agent for the benefit of the secured parties (which includes the Trustee on behalf of the Holders), including:

(a) a limited recourse English law share charge over all shares by Midco in the Parent and security assignment of intercompany loans owed by the Parent to Midco; and

(b) an English law debenture granted by each of the Parent, Finco, Bidco and the Issuer over certain material assets of the Parent, Finco, Bidco and the Issuer

(collectively, the "**Closing Date Collateral**").

As soon as reasonably practicable, and in any case no later than the Backstop Date, subject to the operation of the Agreed Security Principles, certain perfection requirements, the applicable Transaction Security Documents and the grant of further Permitted Collateral Liens, the Notes and the Note Guarantees will be secured by certain security granted by the Additional Guarantors in favor of the Security Agent for the benefit of the secured parties (which includes the Trustee on behalf of the Holders), including (1) an English law debenture over certain material assets of the Additional Guarantors that are incorporated in England and Wales, (2) comparable security for Additional Guarantors incorporated in Guernsey and Jersey, and (3) with respect to the Additional Guarantors incorporated in the Netherlands, security over (i) the material bank accounts of such Additional Guarantors, (ii) intra-Restricted Group receivables, and (iii) shares owned by such Additional Guarantors in the Issuer or the other Guarantors (the "**Post Closing Date Collateral**" and, together with the Closing Date Collateral, the "**Collateral**").

Notwithstanding the foregoing, certain guarantees may not be granted, certain assets may not be secured or such security may not be perfected in accordance with the Agreed Security Principles, including:

- 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 endeavors, or if the asset is subject to trust arrangements or is otherwise managed on behalf of one or more third parties;

- 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 Transaction Security Documents would conflict with fiduciary duties of directors, contravene any legal or regulatory prohibition or result in (or a material risk of) personal or criminal liability on the part of directors or officers;

- if the granting of security or perfecting such security would have a material adverse effect on the ability of such Subsidiary to conduct its operations and business in the ordinary course as otherwise permitted by the Indenture;

- if the relevant assets or proposed grantor of a guarantee are located in a jurisdiction which is not a "Security Jurisdiction," which jurisdictions consist of England and Wales, Guernsey, Jersey and the Netherlands; and

- in the case of bank accounts, notices to the banks with whom the accounts are maintained will only be served if required by local laws to perfect the relevant security.

Administration and enforcement of security

The Transaction Security Documents and 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. In addition, in certain jurisdictions, due to the laws and jurisprudence governing the creation and perfection of security interests, the Intercreditor Agreement provides for the creation of a parallel debt which will form part of the secured obligation. The parallel debt construct has not been tested under law in certain of these jurisdictions. See also "*Risk Factors—Risks relating to our financial profile, the Notes and the Guarantees—The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of the Notes. The ability of the Security Agent to enforce certain of the Collateral may be restricted by local law*." The enforcement of the Collateral will be subject to the procedures set forth in the Intercreditor Agreement. For a description of the Intercreditor Agreement, see "*Description of Other Indebtedness—Intercreditor Agreement.*"

The ability of Holders to realize the Collateral will be subject to various insolvency law limitations in the event of the security provider's insolvency and various contractual limitations set out in the Intercreditor Agreement. See "*Risk Factors— Risks relating to our financial profile, the Notes and the Guarantees—English, Guernsey, Jersey and Dutch insolvency laws may provide you with less protection than U.S. bankruptcy law*" and "*Risk Factors— Risks relating to our financial profile, the Notes and the Guarantees—Each Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.*"

The Transaction Security Documents will provide that the rights of the Holders with respect to the Collateral must be exercised by the Security Agent. Since the Holders will not be a party to the Transaction Security Documents, Holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Transaction Security Documents. The Holders may only act through the Trustee or the Security Agent, as applicable. The Security

Agent will agree to release a security interest created by the Transaction Security Documents at the direction of the Trustee 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, in certain circumstances, will share in the ability to direct the Trustee to direct the Security Agent to commence enforcement action under the Transaction Security Documents. See "*Description of Other Indebtedness—Intercreditor Agreement.*"

Subject to the terms of the Transaction Security Documents, the Issuer, Midco and the Guarantors have the right to remain in possession and retain control of the Collateral securing the Notes (other than as set forth in the Transaction 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 Parent 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 Facilities Agreement, Hedging Obligations or certain operating facilities (if any) or other super priority obligations would be sufficient to satisfy the obligations owed to the Holders as well as any other obligations secured on a *pari passu* basis. By its nature, some or all 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 financial profile, the Notes and the Guarantees—The Notes will be secured only to the extent of the value of the Collateral that will have 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.*"

By accepting a Note, each Holder, will be deemed to have:

- irrevocably appointed GLAS Trust Corporation Limited, 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 Transaction Security Documents);

- irrevocably authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement or other documents to which the Security Agent 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 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 Trustee to enter into any such Additional Intercreditor Agreement.

In addition, the terms of the Transaction Security Documents themselves may provide for assets to cease to become subject to security in certain circumstances without the need for a formal release (such as the sale of assets which are subject to a charge) or the exclusion of certain assets

from a debenture if such assets may not be subject to security (such as, for example, assets that may not be validly pledged or assets that are subject to a Permitted Lien).

Release of Liens

The Security Agent shall release, and, if so requested, the Trustee shall 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 obligations on the Notes issued under the Indenture or discharge or defeasance thereof;

(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; *provided* that if the Collateral is disposed to the Parent or a Restricted Subsidiary, 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 Issuer and the Parent*"); *provided*, *further*, that, in each case, such disposition is permitted by the Indenture;

(4) if the Parent designates any Subsidiary Guarantor 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, or otherwise in compliance with the Intercreditor Agreement;

(6) as may be permitted by the covenant described under "*—Certain covenants—Impairment of security interest*;"

(7) in connection with an IPO Pushdown, as specified in the Indenture; and

(8) in order to effectuate a merger, consolidation, conveyance or transfer conducted in compliance with the covenant described under "*—Certain covenants—Merger and consolidation*."

Each of these releases shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee unless otherwise requested.

IPO Pushdown

(a) On, in contemplation of, or following an IPO Event, the Parent shall be entitled to require (by written notice to the Trustee (a "**Pushdown Notice**")) that the terms of the Indenture and the Intercreditor Agreement (or any Additional Intercreditor Agreement) shall operate (with effect from the date specified in the relevant

Pushdown Notice (the "**Pushdown Date**")) on the basis that: (i) references to the Parent and Restricted Subsidiaries (and all related provisions) shall apply only to the IPO Pushdown Entity and its Restricted Subsidiaries from time to time, although the Issuer shall remain the same entity and the shares of the Issuer shall be subject to a Lien in favor of the "**Secured Parties**" (as defined in the Intercreditor Agreement or any Additional Intercreditor Agreement), that is substantially equivalent to the pledge of the shares of the Issuer entered into in connection with the Offering; (ii) all financial ratio, basket calculations and financial definitions shall exclude any Holding Company of the IPO Pushdown Entity and all reporting obligations shall be assumed at the level of the IPO Pushdown Entity; (iii) each reference in the Indenture and/or the Intercreditor Agreement (or any Additional Intercreditor Agreement) to the "**Parent**" shall be deemed to be a reference to the IPO Pushdown Entity (to the extent applicable and unless the context requires otherwise); *provided* that nothing in this paragraph (a), including the deeming construct contemplated by this sub-paragraph (iii) and any action taken by the IPO Pushdown Entity prior to it being deemed to be the Parent, shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any covenant or other term in the Indenture or a Default or an Event of Default; (iv) none of the representations, warranties, undertakings, covenants or Events of Default in the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Transaction Security Documents shall apply to any entity of which the IPO Pushdown Entity is a Subsidiary (whether in its capacity as a Guarantor or otherwise); (v) no event, matter or circumstance relating to any Holding Company of the IPO Pushdown Entity (whether in its capacity as a Guarantor or otherwise) shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any covenant or other term in the Indenture or a Default or an Event of Default; (vi) each Holding Company of the IPO Pushdown Entity shall be irrevocably and unconditionally released from all obligations under the Indenture, the Intercreditor Agreement (or any Additional Intercreditor Agreement) and any security granted by any such Holding Company (subject to sub-clause (i) above); and (vii) unless otherwise notified by the Parent: (A) each person which is party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as an "**Investor**" or an "**Intra-Group Lender**" shall be irrevocably and unconditionally released from the Intercreditor Agreement (or any Additional Intercreditor Agreement) and all obligations and restrictions under the Intercreditor Agreement or any Additional Intercreditor Agreement (and from the date specified by the Parent that Person shall cease to be party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as an Investor or Intra-Group Lender, as the case may be, and shall have no further rights or obligations under the Intercreditor Agreement (or any Additional Intercreditor Agreement) as an Investor or Intra-Group Lender, as the case may be); and (B) there shall be no obligation or requirement for any Person to become party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as an Investor or Intra-Group Lender, as the case may be; and (viii) in the event that any Person is released from or does not become party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as an Investor or Intra-Group Lender, as the case may be, as a

consequence of this paragraph (a), any term of the Indenture and/or the Intercreditor Agreement (or any Additional Intercreditor Agreement) which requires or assumes that any Person be an Investor or Intra-Group Lender, as the case may be, or that any liabilities or obligations to such Person be subject to the Intercreditor Agreement (or any Additional Intercreditor Agreement) or otherwise subordinated shall cease to apply. An IPO Pushdown Notice may not be delivered if a Default or Event of Default has occurred and is continuing (disregarding any Default or Event of Default that could be deemed to arise in connection with the transactions contemplated by this provision).

(b) The Trustee and the Security Agent shall be required to enter into any amendment to the Indenture or amendment to or replacement of the Intercreditor Agreement or the Transaction Security Documents required by the Parent in writing and/or take such other action as is required by the Parent in order to facilitate or reflect any of the matters contemplated by paragraph (a) above (the "**IPO Pushdown**"); *provided* that such amendment, replacement or other document or instrument does not impose any personal obligations on the Trustee or the Security Agent or, in the opinion of the Trustee or the Security Agent, as appropriate, does not affect the rights, duties, liabilities, indemnification or immunities of the Trustee or the Security Agent under such amendment, replacement or other document or instrument. The Trustee and the Security Agent are each irrevocably authorized and instructed by the Holders (without any consent by the Holders) to execute any such amended or replacement documents and/or take such other action on behalf of the Holders (and shall do so on the request of and at the cost of the Parent).

(c) For the purpose of this covenant, the "**IPO Pushdown Entity**" shall be the Parent or any Restricted Subsidiary of the Parent notified to the Trustee by the Parent in writing as the Person to be treated as the IPO Entity in relation to the relevant IPO Event; *provided that*: (i) the IPO Entity shall be a Restricted Subsidiary which will issue shares, or whose shares are to be sold, pursuant to that IPO Event (or a Holding Company of such member of the Group); (ii) the Issuer shall become a Restricted Subsidiary of the IPO Pushdown Entity; and (iii) the Parent may not designate as the IPO Pushdown Entity any entity which is not a direct or indirect Holding Company of Restricted Subsidiaries constituting all or substantially all of the Group's tangible assets.

(d) If the Parent delivers a Pushdown Notice to the Trustee pursuant to paragraph (a) above in relation to a contemplated IPO Event, it shall be entitled to revoke that Pushdown Notice at any time prior to the occurrence of the relevant IPO Event by written notice to the Trustee. In the event that any Pushdown Notice is revoked in accordance with this paragraph (d): (i) the provisions of sub-paragraphs (a)(i) to (a)(vii) above shall cease to apply in relation to that Pushdown Notice; (ii) if any security has been released pursuant to paragraph (a) above in reliance on that Pushdown Notice, subject to the Agreed Security Principles, the Parent or the relevant Restricted Subsidiary shall as soon as reasonably practicable execute a replacement Transaction Security Document in respect of that security; and (iii) if any Person party to the Intercreditor Agreement (or any Additional Intercreditor

Agreement) as an Investor or Intra-Group Lender, as the case may be, has been released from the Intercreditor Agreement pursuant to sub-paragraph (a)(vii) above in reliance on that Pushdown Notice, that Person shall as soon as reasonably practicable accede to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as an Investor or Intra-Group Lender, as the case may be.

For the avoidance of doubt: (A) nothing in paragraph (d) above shall prohibit or otherwise restrict the Parent from delivering a further Pushdown Notice in relation to any actual or contemplated IPO Event; and (B) revocation of a Pushdown Notice shall not, and shall not be deemed to, directly or indirectly constitute or result in a breach of any representation, warranty, undertaking or other term in the Indenture or the Intercreditor Agreement (or any Additional Intercreditor Agreement) or a Default or an Event of Default (whether by reason of any action or step taken by any Person, or any matter or circumstance arising or committed, while that Pushdown Notice was effective or otherwise).

Intercreditor Agreement

On or about the Issue Date, the Trustee will accede on behalf of the Holders to the Intercreditor Agreement among the Issuer, the Parent, the Security Agent and the other parties thereto. Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the Revolving Facilities Agreement, any Hedging Agreements (as defined in the Intercreditor Agreement) and certain operating facilities that are secured by Collateral that also secures our obligations under the Notes and the Note Guarantees, 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 Facilities Agreement, Hedging Agreements and certain operating facilities have been repaid from such recoveries, will be applied *pro rata* in repayment of all obligations under the Indenture, the Notes and any other indebtedness of the Issuer and the Guarantors permitted to be Incurred and secured by the Collateral.

Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements

The Indenture will provide that, at the request of the Parent, in connection with the Incurrence or refinancing by the Issuer, the Parent or its Restricted Subsidiaries of any Indebtedness secured or permitted to be secured on the Collateral, the Issuer, the Parent, the relevant Restricted Subsidiaries, the Trustee and the Security Agent, as applicable, shall 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 Board of Directors or an Officer of the Parent 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 "—*Certain covenants—Limitation on Indebtedness*" and "*—Certain covenants—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 acceded to by the Trustee on the Issue Date.

The Indenture will provide that, at the written direction of the Parent and without the consent of the Holders, the Trustee shall 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 Issuer that is subject to any such agreement (*provided* that such Indebtedness is Incurred in compliance with the Indenture), (iii) add 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, (vi) effect the IPO Pushdown or (vii) make any other change to any such agreement that does not adversely affect the Holders in any material respect. The Parent shall not otherwise direct the Trustee 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 Parent may only direct the Trustee to enter into any amendment to the extent such amendment does 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 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 then entered into or entered into in the future pursuant to the provisions described herein), and to have authorized the Trustee to enter into any one or more amendments to any Intercreditor Agreement as contemplated above.

The Proceeds Loan Agreement

Upon the issuance of the Notes, the Issuer, as lender, and Finco, as borrower, will enter into a proceeds loan agreement (the "**Proceeds Loan Agreement**") pursuant to which the Issuer will loan to Finco the gross proceeds from the issuance of each series of Notes (each, a "**Proceeds Loan**").

These Proceeds Loans will be in euro and/or pound sterling in aggregate principal amount equal to the gross proceeds of the Notes. See "*Use of Proceeds.*" The Proceeds Loans will bear interest at a rate sufficient to pay the interest expense on the Notes. Interest on the Proceeds Loans will be payable semi-annually (in respect of those Proceeds Loans relating to the Euro Fixed Rate Notes and the Sterling Notes) and quarterly (in respect of those Proceeds Loans relating to the Euro Floating Rate Notes) in arrears on or prior to the corresponding date for the payment of interest on the Notes.

All amounts payable under the Proceeds Loans will be payable to such account or accounts with such Person or Persons as the Issuer may designate. The maturity date of the Proceeds Loans will be the same as the maturity date of the Notes. Except as otherwise required by law, all payments under the Proceeds Loan Agreement will be made without deductions or withholding for, or on account of, any applicable tax. In the event that Finco is required to make any such deduction or withholding, Finco shall gross-up each payment to the Issuer to ensure that the Issuer receives and retains a net payment equal to the payment which it would have received had no such deduction or withholding been made.

The Proceeds Loan Agreement will provide that Finco will make all payments pursuant thereto on a timely basis in order to ensure that the Issuer can satisfy its payment obligations under the Notes and the Indenture, taking into account the administrative and timing requirements under the Indenture with respect to amounts payable on the Notes.

The Issuer's rights under the Proceeds Loan Agreement will be assigned by way of security to the Security Agent and will comprise part of the Collateral, as described above under "—*Security—The Collateral.*"

Optional redemption

Optional redemption of the Euro Floating Rate Notes

Except as set forth herein and under "—*Redemption for taxation reasons*" and "—*Change of Control*," the Euro Floating Rate Notes are not redeemable at the option of the Issuer.

At any time and from time to time on or after November 15, 2022, the Issuer may redeem the Euro Floating Rate 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 to, but excluding, the 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).

Period commencing	Percentage
November 15, 2022 and thereafter	101.0000%
November 15, 2023 and thereafter	100.0000%

At any time prior to November 15, 2022, the Issuer may redeem the Euro Floating Rate 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 Euro Floating Rate Notes plus the relevant Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the 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).

Optional redemption of the Euro Fixed Rate Notes

Except as set forth herein and under "—*Redemption for taxation reasons*" and "—*Change of Control*," the Euro Fixed Rate Notes are not redeemable at the option of the Issuer.

At any time and from time to time on or after November 15, 2023, the Issuer may redeem the Euro Fixed Rate 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 to, but excluding, the 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).

Period commencing	Percentage
November 15, 2023	102.250%
November 15, 2024	101.125%
November 15, 2025 and thereafter	100.0000%

At any time and from time to time prior to November 15, 2023, the Issuer may redeem the Euro Fixed Rate Notes with the Net Cash Proceeds received by the Parent from any Equity Offering, upon not less than 10 nor more than 60 days' prior notice at a redemption price equal to 104.500% in an aggregate principal amount for all such redemptions not to exceed 40% of the original aggregate principal amount of the Euro Fixed Rate Notes (including Additional Notes that are Euro Fixed Rate Notes), plus accrued and unpaid interest to, but excluding, the redemption date; *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 50% of the original aggregate principal amount of the Euro Fixed Rate Notes (not including the principal amount of any Additional Notes that are Euro Fixed Rate Notes) remains outstanding immediately thereafter.

At any time prior to November 15, 2023, the Issuer may redeem the Euro Fixed Rate 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 Euro Fixed Rate Notes plus the relevant Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the 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).

At any time prior to November 15, 2023, the Issuer may redeem up to 10% of the original aggregate principal amount of the Euro Fixed Rate Notes (calculated after giving effect to the issuance of any Additional Notes that are Euro Fixed Rate Notes) during each 12-month period commencing from the Issue Date, from time to time, upon not less than 10 nor more than 60 days' prior written notice to the Holders at a redemption price equal to 103% of the principal amount of the Euro Fixed Rate Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the 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).

Optional redemption of the Sterling Notes

Except as set forth herein and under "*—Redemption for taxation reasons*" and "*—Change of Control*," the Sterling Notes are not redeemable at the option of the Issuer.

At any time and from time to time on or after November 15, 2023, the Issuer may redeem the Sterling 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 to, but excluding, the 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).

Period commencing	Percentage
November 15, 2023	103.000%
November 15, 2024	101.500%
November 15, 2025 and thereafter	100.0000%

At any time and from time to time prior to November 15, 2023, the Issuer may redeem the Sterling Notes with the Net Cash Proceeds received by the Parent from any Equity Offering, upon not less than 10 nor more than 60 days' prior notice at a redemption price equal to 106.000% in an aggregate principal amount for all such redemptions not to exceed 40% of the original aggregate principal amount of the Sterling Notes (including Additional Notes that are Sterling Notes), plus accrued and unpaid interest to, but excluding, the redemption date; *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 50% of the original aggregate principal amount of the Sterling Notes (not including the principal amount of any Additional Notes that are Sterling Notes) remains outstanding immediately thereafter.

At any time prior to November 15, 2023, the Issuer may redeem the Sterling 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 Sterling Notes plus the relevant Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the 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).

At any time prior to November 15, 2023, the Issuer may redeem up to 10% of the original aggregate principal amount of the Sterling Notes (calculated after giving effect to the issuance of any Additional Notes that are Sterling Notes) during each 12-month period commencing from the Issue Date, from time to time, upon not less than 10 nor more than 60 days' prior written notice to the Holders at a redemption price equal to 103% of the principal amount of the Sterling Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the 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

Notice of redemption will be provided as set forth under "—*Selection and notice*" below.

If the Issuer effects an optional redemption of Notes of a series, it will, if and for so long as the Notes are listed on the Official List of the Exchange, and if and to the extent that the rules of the Authority so require, inform the Authority of such optional redemption and confirm the aggregate principal amount of the Notes of that series that will remain outstanding immediately after such redemption.

Any 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). In addition, if such redemption is subject to satisfaction of one or more conditions precedent, the notice of redemption may state that, at the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed; *provided* that in no case shall the notice have been delivered less than 10 days or more than 60 days prior to the date on which such redemption (if any) occurs.

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.

We may repurchase Notes at any time and from time to time in the open market or otherwise.

Sinking fund

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Selection and notice

If less than all the Notes are to be redeemed at any time, the Paying Agent 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 Paying Agent or the Registrar 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 use of a pool-factor; *provided*, *however*, that no Note of €100,000 or £100,000, as the case may be, or less in aggregate principal amount shall be redeemed in part. None of the Trustee, the Paying Agent or the Registrar shall be liable for selections made under this paragraph.

If and for so long as the Notes are listed on the Official List of the Exchange, and if and to the extent the rules of the Authority so require, the Issuer shall notify the Authority of such redemption and, in addition to such publication, not less than 10 nor more than 60 days' prior to the redemption date, email such notice to Holders at their respective addresses as they appear on the registration books of the Registrar; *provided* that, for so long as any Notes are represented by Global Notes, notices of redemption to Holders will be delivered to Euroclear and Clearstream

(and such delivery will be deemed to satisfy the requirements of this paragraph), each of which shall give notices to the holders of the Book-Entry Interests.

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 herein) may redeem, and a Guarantor may cause the Issuer or Successor Company to redeem, the Notes in whole, but not in part, at its discretion 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 the Issuer determines that as a result of:

(1) any change in, or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined under "*—Additional Amounts*") affecting taxation; or

(2) any change in, or amendment to, the application, administration or interpretation of such laws, treaties, regulations or rulings (including pursuant to a holding, judgment or order by a court of competent jurisdiction or a change in published 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 or increased 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 where this would be reasonable 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 on which the applicable Notes are issued, such Change in Tax Law must become effective on or after the date on which the applicable Notes are issued. 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 on which the applicable Notes are issued, such Change in Tax Law must become effective on or after the date the jurisdiction becomes a Relevant Taxing Jurisdiction (or, in the case of a Successor Company, on or after the date of assumption by the Successor Company of the Issuer's obligations hereunder). 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 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 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 be entitled to rely solely upon such Officer's Certificate and opinion as sufficient evidence of the 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 or a Successor Company under or with respect to the Notes, or any Guarantor (each of the Issuer, Successor Company and Guarantor, a "**Payor**") with respect to any Note Guarantee, 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) 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 or on behalf of 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, 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, purchase or 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 the beneficial owner of a Note (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, but not limited to, being a citizen or resident or national or domiciliary of, or the existence of a business, a permanent establishment, a dependent agent, a place of business or a place of management present or deemed present in the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or Note Guarantee, the enforcement of rights under a Note or Note Guarantee or the receipt of any payment in respect thereof;

(2) any Taxes that are imposed, 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 the beneficial owner, after reasonable notice, 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 owner or to make any declaration or similar claim or satisfy any certification, identification, information or other reporting requirement relating to such matters, required by applicable law, regulation, treaty or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from or reduction in the rate of all or part of such Tax; *provided* 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 under or with respect to the Notes or any Note Guarantee;

(4) any estate, inheritance, gift, value added, sales, transfer, personal property or similar Taxes;

(5) any Taxes imposed with respect to any withholding or deduction that is imposed in connection with Sections 1471-1474 of the Code and U.S. Treasury regulations thereunder ("**FATCA**"), any intergovernmental agreement between the United States and any other jurisdiction implementing or relating to FATCA or any non-U.S. law, regulation or guidance enacted or issued with respect thereto;

(6) any Taxes which would not have been imposed if the Holder had presented the Note for payment (where presentation is permitted or 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);

(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, withheld or deducted under the Dutch Withholding Tax Act 2021 (*Wet bronbelasting 2021*); or

(9) any combination of the above.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use 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 Payor, and if so obtained by the Payor will provide such certified copies to the Trustee. If so obtained, such copies shall be made available to the Holders upon request. 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 or €1,000 principal amount of the Notes, as the case may be.

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 or Note Guarantees,

such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay any present or future stamp, court or documentary Taxes, or any other excise, property or similar Taxes that arise in any jurisdiction from the execution, delivery, registration on issue or enforcement of any Notes, any Note Guarantee, the Indenture, the Proceeds Loan Agreement, the Transaction Security Documents or any other document or instrument in relation thereto (other than a transfer or exchange of the Notes) 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 hereof, each Holder will have the right to require the Issuer to repurchase all (equal to £100,000 or €100,000 aggregate principal amount, and integral multiples of £1,000 or €1,000 in excess thereof, as the case may be) 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, but excluding, 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 of 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 send a notice (the "**Change of Control Offer**") to each Holder of any such Notes, by email or otherwise in accordance with the procedures set forth in the Indenture, 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 all or any part of 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 and Additional Amounts, if any, 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 10 days nor later than 60 days from the date such notice is sent) (the "**Change of Control Payment Date**");

(3) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(4) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and

(5) if such notice is emailed 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 the Paying Agent 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 wire 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 promptly authenticate (or cause to be authenticated) and mail to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in an aggregate principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in an aggregate principal amount that is at least £100,000 or €100,000 or an integral multiple of £1,000 or €1,000 in excess thereof.

If and for so long as the Notes are listed on the Official List of the Exchange, and if and to the extent that the rules of the Authority so require, the Issuer will notify the Authority of any Change of Control Offer.

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 Change of Control Payment Date will be no earlier than 30 days from the date a notice of such Change of Control Offer is emailed.

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture will not contain provisions that permit the Holders to require that the Issuer repurchases or redeems 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 Parent or its Subsidiaries in a transaction that would constitute a Change of Control.

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.

If Holders of not less than 90% in aggregate principal amount of the applicable series of outstanding Notes validly tender and do not withdraw such Notes in a Change of Control Offer and the Issuer, or any third-party making a Change of Control Offer in lieu of the Issuer as described above, purchases all of the applicable series of Notes validly tendered and not withdrawn by such Holders, the Issuer or such third-party will have the right, upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such purchase pursuant to the Change of Control Offer described above, to redeem all Notes of the applicable series that remain outstanding following such purchase at a price in cash equal to 101% of the aggregate principal amount of such Notes, plus accrued and unpaid interest on the Notes that remain outstanding to, but excluding, the date of redemption (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the redemption date). In determining whether the Holders of at least 90% of the aggregate principal amount of the applicable series of then-outstanding Notes have validly tendered and not withdrawn Notes in a Change of Control Offer for all of the Notes of the applicable series, as applicable, Notes owned by an affiliate of the Issuer or by funds controlled or managed by any affiliate of the Issuer, or any successor thereof, shall be deemed to be outstanding for the purposes of such tender offer or other offer, as applicable.

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.

A Change of Control will result in a mandatory prepayment under the Revolving Facilities Agreement. Future debt of the Parent or its Subsidiaries, including 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 may require repurchase upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to purchase the Notes could cause a default under, or require a repurchase of, other debt, even if the Change of Control itself does not, due to the financial effect of the purchase on the Parent or its Subsidiaries, including 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 Parent's and its Subsidiaries' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "*Risk Factors—Risks relating to our financial profile, the Notes and the Guarantees—We may not be able to obtain the funds required to repurchase the Notes upon a change of control.*"

In addition, the definition of "**Change of Control**" and "**Permitted Holders**" expressly permit a third party to obtain control of the Parent in a transaction which is a Specified Change of Control Event without any obligation to make a Change of Control Offer.

The definition of "**Change of Control**" includes a disposition of all or substantially all of the property and assets of the Parent and its Restricted Subsidiaries taken as a whole to specified other Persons.

Although there is limited case law interpreting the phrase "**substantially all**," 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 Issuer 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 aggregate principal amount of the Notes under the Indenture.

Certain covenants

Limitation on Indebtedness

The Parent will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided*, *however*, that the Parent and any Restricted Subsidiary may Incur Indebtedness if on the date of such Incurrence and after giving pro forma effect thereto (including pro forma application of the proceeds thereof), the Fixed Charge Coverage Ratio for the Parent and its Restricted Subsidiaries for the most recently ended four fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is Incurred would have been at least 2.0 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

(1) Indebtedness Incurred by the Parent and any Restricted Subsidiary pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount of Indebtedness then outstanding not exceeding: (i) the greater of (x) £285 million and (y) 100% of Consolidated EBITDA, 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 Parent or any Restricted Subsidiary of Indebtedness of the Parent 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 (other than pursuant to this clause (2)); *provided* that, if Indebtedness being guaranteed is subordinated or *pari passu* to the Notes or a Note Guarantee, then the guarantee must be subordinated or *pari passu* to the Notes or Note Guarantees, as applicable, 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 Parent or any Restricted Subsidiary, in each case, so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(3) Indebtedness of the Parent owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Parent or any Restricted Subsidiary;

(4) Indebtedness represented by:

(a) any Notes (other than any Additional Notes);

(b) any Indebtedness (other than Indebtedness described in clauses (1), (3), (4)(a), 4(e) and (7) of this paragraph) of the Parent or any Restricted Subsidiary entered into or outstanding on the Issue Date after giving effect to the Transactions;

(c) Refinancing Indebtedness that is Incurred in respect of any Indebtedness described in this clause (4) (other than Refinancing Indebtedness that is Incurred in respect of any Notes and any Note Guarantee, which will be deemed to have been Incurred under clause (4)(a) of this paragraph, or Permitted Purchase Obligations, which will be deemed to have been Incurred under clause (4)(e) of this paragraph) or clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant;

(d) Management Advances and MEP Payments; and

(e) Permitted Purchase Obligations;

(5) Indebtedness (i) 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 Parent or any Restricted Subsidiary, or (ii) Incurred to provide or refinance all or any portion of the funds utilized to consummate a transaction or series of related transactions pursuant to which a Person became a Restricted Subsidiary or was otherwise acquired by the Parent or a Restricted Subsidiary or otherwise in connection with or contemplation of such acquisition; *provided*, *however*, with respect to sub-clauses (5)(i) and (5)(ii), that at the time of such acquisition or other transaction (x) the Parent and its Restricted Subsidiaries would have been permitted 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 Parent and its Restricted Subsidiaries for the most recently ended four fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is Incurred would not be lower than it was immediately prior to giving effect to such acquisition or other transaction;

(6) Indebtedness under Hedging Agreements entered into for bona fide hedging purposes of the Parent or its Restricted Subsidiaries and not for speculative purposes (as determined in good faith by the Board of Directors or an Officer of the Parent);

(7) Indebtedness consisting of (A) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business, or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and (C) any Refinancing Indebtedness and Guarantees in respect of sub-clauses (A) or (B), in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) then outstanding, will not exceed the greater of (i) £20 million and (ii) 4% 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 Parent 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, (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 credit management, cash management, cash pooling, net balance transfer or netting or setting off or similar arrangements in the ordinary course of business of the Parent and the Restricted Subsidiaries;

(9) Indebtedness arising from agreements providing for 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);

(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;

(B) Indebtedness owed on a short-term basis of no longer than 60 days to banks and other financial institutions Incurred in the ordinary course of business of the Parent and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Parent and its Restricted Subsidiaries; 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, Incurred or undertaken in the ordinary course of business;

(11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness and Guarantees in respect thereof and the aggregate principal amount of all other Indebtedness Incurred pursuant to this clause (11) then outstanding, will not exceed the greater of (i) £80 million and (ii) 27.5% of Consolidated EBITDA;

(12) Indebtedness (including any Refinancing Indebtedness and Guarantees 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 (12) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Parent from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or its Capital Stock (other than through the Equity Contribution, Disqualified Stock, Designated Preference Shares or an Excluded Contribution) or otherwise contributed to the equity (other than through the Equity Contribution, issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution) of the Parent, 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 under "*—Limitation on Restricted Payments*" to the extent the Parent 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 (12) to the extent the Parent or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and/or clauses (1), (6), (10) and (14) of the third paragraph of the covenant described under "*—Limitation on Restricted Payments*" in reliance thereon; and

(13) Indebtedness under any overdraft, working capital, current account, letter of credit, local credit line, bilateral financing line, foreign exchange, SWIFT and/or other similar or equivalent facilities or financial accommodation, or any other facility or financial accommodation by the Parent or any Restricted Subsidiary, *provided* that the maximum aggregate principal amount of Indebtedness outstanding under this clause (13) does not exceed the greater of (i) £45 million and (ii) 15% of Consolidated EBITDA and any Refinancing Indebtedness in respect thereof.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with this covenant:

(i) 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 Parent, in its sole discretion, will classify, and may from time to time reclassify, such item (or any portion of such item) of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the first paragraph or the second paragraph of this covenant; *provided* that the Parent may not reclassify Indebtedness outstanding on the Issue Date that is Incurred under clauses (1) and (13) of the second paragraph of this covenant;

(ii) 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;

(iii) 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 clauses (1), (7) or (11) of the second paragraph of this covenant or the first paragraph of this covenant and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(iv) the principal amount of any Disqualified Stock of the Parent 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;

(v) for the purposes of determining "**Consolidated EBITDA**," (x) pro forma effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Leverage Ratio for the Parent and its Restricted Subsidiaries and (y) Consolidated EBITDA shall be measured on the most recent date on which new commitments are obtained (in the case of revolving facilities) or the date on which new Indebtedness is Incurred (in the case of term facilities) and for the period of the most recent four consecutive fiscal quarters ending prior to the date for which such internal consolidated financial statements of the Parent are available;

(vi) 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;

(vii) the amount of any Indebtedness outstanding as of any date shall be calculated as described under the definition of "Indebtedness;" *provided* that the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the balance sheet liability in respect thereof determined on the basis of IFRS; and

(viii) notwithstanding anything in this covenant to the contrary, in the case of any Indebtedness Incurred to refinance Indebtedness initially Incurred in reliance on a clause of the second paragraph of this covenant measured by reference to a percentage of Consolidated EBITDA at the time of an Applicable Test Date, if such refinancing would cause the percentage of Consolidated EBITDA restriction to be exceeded if calculated based on the percentage of Consolidated EBITDA on the Applicable Test Date of such refinancing, such percentage of Consolidated EBITDA restriction shall not be deemed to be exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced.

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, including a change in IFRS itself or a change from IFRS to a different set of accounting principles, will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant.

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.

For purposes of determining compliance with any pound sterling-denominated restriction on the Incurrence of Indebtedness, the Sterling Equivalent of the aggregate principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the Applicable Test Date; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than pound sterling, and such refinancing would cause the applicable pound sterling-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such pound sterling-denominated restriction shall be deemed not to have been exceeded so long as the aggregate principal amount of such Refinancing Indebtedness does not exceed the aggregate principal amount of such Indebtedness being refinanced, plus any amount to pay premium (including tender premium), accrued and unpaid interest, expenses, defeasance costs and fees in connection therewith; (b) the Sterling Equivalent of the aggregate 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 pound 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.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Parent 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. Subject to the preceding paragraph, 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 Parent 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 distribution on or in respect of the Parent's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Parent or any of its Restricted Subsidiaries) except:

(a) dividends or distributions payable in Capital Stock of the Parent (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Parent or in Subordinated Shareholder Funding; and

(b) dividends or distributions payable to the Parent 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 Parent or a 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 Parent or any direct or indirect Holding Entity held by Persons other than the Parent or a Restricted Subsidiary (other than in exchange for Capital Stock of the Parent (other than Disqualified Stock));

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (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 payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement, (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*") and (c) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement that is a Permitted Investment (other than Permitted Investments in connection with Subordinated Indebtedness pursuant to clause (1) of the definition of "**Permitted Investments**");

(4) make any payment (other than by capitalization of interest) on or with respect to, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding; or

(5) 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) to (5) above are referred to herein as a "**Restricted Payment**"), if at the time the Parent or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default or Event of Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) the Parent and its Restricted Subsidiaries are not permitted to Incur an additional £1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" 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 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) and (12) 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

Acquisition Completion 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 Parent are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit, *provided* that the amount taken into account pursuant to this clause (i) shall not be less than zero);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value of property or assets or marketable securities, received by the Parent from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Parent subsequent to the 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 Parent or any Subsidiary of the Parent for the benefit of its employees to the extent funded by the Parent 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 Issue Date or the Equity Contribution);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value of property or assets or marketable securities, received by the Parent or any Restricted Subsidiary from the issuance or sale (other than to the Parent or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Parent or any Subsidiary of the Parent for the benefit of its employees to the extent funded by the Parent or any Restricted Subsidiary) by the Parent or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Parent (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value of property or assets or marketable securities, received by the Parent 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 Issue Date or the Equity Contribution;

(iv) the amount equal to the net reduction in Restricted Investments made by the Parent or any of its Restricted Subsidiaries subsequent to the Issue Date 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 Parent 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 Parent 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 Parent or any Restricted Subsidiary in such Unrestricted Subsidiary, which amount, in each case under this sub-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 sub-clause (i) to the extent that it is (at the Parent's option) included under this sub-clause (iv); and

(v) the amount of the cash and the fair market value of property or assets or of marketable securities received by the Parent or any of its Restricted Subsidiaries subsequent to the Issue Date in connection with:

(A) the sale or other disposition (other than to the Parent or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Parent or any Subsidiary of the Parent for the benefit of its employees to the extent funded by the Parent or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary; and

(B) any dividend or distribution made by an Unrestricted Subsidiary or Affiliate to the Parent or a Restricted Subsidiary;

provided, *however*, that no amount will be included in Consolidated Net Income for purposes of the preceding sub-clause (i) to the extent that it is (at the Parent's option) included under this sub-clause (v).

The fair market value of property or assets other than cash covered by the preceding paragraph shall be the fair market value thereof as determined in good faith by the Board of Directors or an Officer of the Parent. The fair market value of any cash Restricted Payment shall be its face amount.

The foregoing provisions will not prohibit any of the following (collectively, "**Permitted Payments**"):

(1) any Restricted Payment made in 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 Parent (other than Disqualified Stock, Excluded Amounts or Designated Preference Shares), Subordinated

Shareholder Funding or a substantially concurrent contribution to the equity (in each case, other than through the Equity Contribution, issuance of Disqualified Stock, Excluded Amounts or Designated Preference Shares or through an Excluded Contribution) of the Parent; *provided*, *however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the immediately preceding paragraph and the immediately succeeding paragraph) of property or assets or of marketable securities, from such sale of Capital Stock, Subordinated Shareholder Funding or such contribution will be excluded from sub-clause (c)(ii) of the second preceding paragraph;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made in exchange for, or out of the proceeds of the substantially concurrent Incurrence of Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*;"

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Parent or a Restricted Subsidiary made in exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Parent 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*," and that in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

(a) from Net Available Cash to the extent permitted by the covenant described under "*—Limitation on sales of assets and Subsidiary stock*," but only if the Parent shall have first complied with the terms of the covenant described under "*—Limitation on sales of assets and Subsidiary stock*" and purchased all Notes validly 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; 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 Parent shall have first complied with the terms of the covenant described under "*—Change of Control*," if required, and purchased all Notes validly 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 (together with any applicable prepayment or redemption premium); or

(c) (i) consisting of Acquired Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated

Indebtedness plus accrued and unpaid interest (together with any applicable prepayment or redemption premium);

(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) any payments associated with the Transactions;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Parent, any Restricted Subsidiary or any Holding Entity (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Parent to any Holding Entity or any entity formed for the purpose of investing in Capital Stock of the Parent or any Holding Entity to permit any Holding Entity or such entity to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Parent, any Restricted Subsidiary or any Holding Entity (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 the Parent, any Restricted Subsidiary or any Holding Entity (including any options, warrants or other rights in respect thereof), in each case from Management Investors;

(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*;"

(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 Holding Entity or any Affiliates or other payments by the Parent or any Restricted Subsidiary in amounts equal to (without duplication):

    (a) the amounts required for any Holding Entity to pay any Parent Expenses or any Related Taxes; or

    (b) amounts constituting or to be used for purposes of making payments (i) in relation to the Transactions (including without limitation any fees or expenses and the return of any Excess Equity Overfunding by the Permitted Holders), or (ii) to the extent specified in clauses (2), (3), (5), (7), (11) and (12) 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 Parent of, or loans, advances, dividends or distributions to any Holding Entity to pay, dividends on the common

stock or common equity interests of the Parent or any Holding Entity following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Parent from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through Excluded Amounts, the Equity Contribution or an Excluded Contribution) of the Parent or loaned or contributed as Subordinated Shareholder Funding to the Parent, and (b) following the Initial Public Offering, 7% of the Market Capitalization;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result from) (a) Restricted Payments (including loans or advances) in an aggregate amount outstanding at any time not to exceed the greater of £35 million or 12.5% of Consolidated EBITDA, and (b) any Restricted Payment, *provided* that the Consolidated Leverage Ratio on a pro forma basis after giving effect to any such Restricted Payment does not exceed 3.0 to 1.0 (or in the case of a Restricted Payment consisting of an Investment or the repayment, redemption or repurchase of Subordinated Indebtedness, Consolidated Leverage Ratio on a pro forma basis after giving effect to any such Restricted Payment does not exceed 3.25 to 1.0); *provided* that if an Investment is made pursuant to this clause (11) in a Person that is not a Restricted Subsidiary and such Person subsequently becomes or is subsequently designated a Restricted Subsidiary pursuant to the terms of the Indenture, such Investment shall thereafter be deemed to have been made pursuant to clauses (1) or (2) of the definition of "**Permitted Investment**" and not this clause (11);

(12) payments by the Parent, or loans, advances, dividends or distributions to any Holding Entity to make payments to holders of Capital Stock of the Parent or any Holding Entity 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 or an Officer of the Parent);

(13) Restricted Payments in an aggregate amount outstanding at any time not to exceed the fair market value 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); *provided* that, the amount of Excluded Contributions shall not include any amount that is also an Equity Contribution;

(14) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Parent issued after the Issue Date; and (ii) the declaration and payment of dividends to any Holding Entity 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 Holding Entity or

Affiliate issued after the Issue Date; *provided*, *however*, that, in the case of sub-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 Parent or the aggregate amount contributed in cash to the equity (other than the Equity Contribution or through the issuance of Disqualified Stock, Excluded Amounts or an Excluded Contribution or, in the case of Designated Preference Shares by a Holding Entity or an Affiliate the issuance of Designated Preference Shares) of the Parent or loaned or contributed as Subordinated Shareholder Funding to the Parent, from the issuance or sale of such Designated Preference Shares; and

(15) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries (other than securities of ACMH, ACML or any of ACML's Subsidiaries (collectively, the "**ACMH Group**")).

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 Parent 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. Any amounts (such amounts, the "**Excluded Amounts**") that would otherwise be included in the calculation of the amount available for Restricted Payments pursuant to sub-clauses (ii) or (iii) of clause (c) of the first paragraph of this covenant will be excluded to the extent (1) such amounts result from the receipt of Net Cash Proceeds, property or assets or marketable securities received in contemplation of, or in connection with, an event that would otherwise constitute a Change of Control pursuant to the definition thereof were it not a Specified Change of Control Event, (2) the purpose of, or the effect of, the receipt of such Net Cash Proceeds, property or assets or marketable securities was to reduce the Consolidated Leverage Ratio of the Parent and its Restricted Subsidiaries so that there would be an occurrence of a Specified Change of Control Event that would not have been achieved without the receipt of such Net Cash Proceeds, property or assets or marketable securities and (3) no Change of Control Offer is made in connection with such event in accordance with the requirements of the indenture.

Limitation on Liens

The Parent 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 Restricted 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, subject to the Agreed Security Principles, the Notes (or a Note Guarantee in the case of Liens of a Guarantor) are 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 (*provided* that a Lien to secure Indebtedness pursuant to clauses (1) to (6) (inclusive) of such second paragraph of the covenant described under "*—Limitation on Indebtedness*" may have priority not materially less favorable to the Holders than that accorded to the Notes under the Intercreditor Agreement), and (b) in the case of any property or assets that constitute Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes pursuant to sub-clause (a)(2) of the preceding paragraph will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates and (ii) otherwise as set forth under "*Security—Release of Liens.*"

With respect to any Lien securing Indebtedness that was permitted to secure such Indebtedness at the time of the Incurrence of such Indebtedness, such Lien shall also be permitted to secure any Increased Amount of such Indebtedness. The "**Increased Amount**" of any Indebtedness shall mean any increase in the amount of such Indebtedness in connection with any accrual of interest, the accretion of accreted value, the amortization of original issue discount, the payment of interest in the form of additional Indebtedness with the same terms, accretion of original issue discount or liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing Indebtedness.

Limitation on restrictions on distributions from Restricted Subsidiaries

The Parent will not, and will not permit any Restricted Subsidiary or the ACMH Group 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 or the ACMH Group to:

(A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock to the Parent or the Issuer or pay any Indebtedness or other obligations owed to the Parent or the Issuer;

(B) make any loans or advances to the Parent or the Issuer; or

(C) sell, lease or transfer any of its property or assets to the Parent or the Issuer;

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 Parent or any Restricted Subsidiary or the ACMH Group to other agreement or instrument entered into by the Parent or any Restricted Subsidiary or the ACMH Group 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) any Credit Facility (or any guarantee or security granted in connection therewith), including the Revolving Facilities Agreement, (b) the Indenture, the Notes, the Note Guarantees, the Collateral or the Proceeds Loan Agreement, (c) the Intercreditor Agreement, any Additional Intercreditor Agreement or the Transaction Security Documents or (d) any other agreement or instrument in effect at or entered into on the Issue Date, including, in each case, any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings, *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to

such dividend and other payment restrictions than those contained in those agreements referred to in sub-clauses (a), (b), (c) and (d) above, as applicable (as determined in good faith by the Board of Directors or an Officer of the Parent);

(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 Parent or any Restricted Subsidiary or the ACMH Group, or was designated as a Restricted Subsidiary, or on which such agreement or instrument is assumed by the Parent or any Restricted Subsidiary or the ACMH Group 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 part of the ACMH Group or was acquired by the Parent or was merged, consolidated or otherwise combined with or into the Parent or any Restricted Subsidiary or the ACMH Group entered into or 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 Parent or any Restricted Subsidiary or the ACMH Group when such Person becomes the Successor Company;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a 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 or the ACMH Group contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the 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 Board of Directors or an Officer of the Parent) or that the Board of Directors or an Officer of the Parent determines when such Indebtedness is Incurred that such encumbrances or restrictions will not adversely affect, in any material respect, the Parent's ability to make principal or interest payments on the Notes and/or the Proceeds Loans;

(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 Parent or a Restricted Subsidiary or the ACMH Group 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 Parent or any Restricted Subsidiary or the ACMH Group;

(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 the ACMH Group (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 ACMH Group (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, and other similar agreements and instruments entered into in the ordinary course of business or consistent with industry practices;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order (including encumbrances or restrictions on making distributions in cash or Cash Equivalents as a dividend or otherwise that arise or exist by reason of applicable law or any applicable rule, regulation or order), the terms of any license, authorization, concession or permit, or encumbrances or restrictions required by any regulatory authority;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers, suppliers or landlords, 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 Hedging Agreements or Permitted Purchased Obligations;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument, including any encumbrance or restriction 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 Indenture, together with the security documents associated therewith or (ii) in comparable agreements or instruments (as determined in good faith by the Board of Directors or an Officer of the Parent) and where, in the case of clause (ii), the Parent determines, at the time such agreement or instrument is entered into, that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes;

(12) any encumbrance or restriction existing by reason of any Lien permitted by the covenant described under "*—Limitation on Liens*;" or

(13) any encumbrance or restriction on assets held in trust for a third party, including pursuant to the relevant trust agreement.

Limitation on sales of assets and Subsidiary stock

The Parent will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(1) the Parent 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 or an Officer of the Parent, 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); and

(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 Parent or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments.

Within 365 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash from an Asset Disposition, the Parent or such Restricted Subsidiary, as the case may be, may apply an amount equal to such Net Available Cash at the option of the Parent or such Restricted Subsidiary:

(a) (1) to prepay, repay, purchase or redeem any Senior Secured Indebtedness (including Indebtedness Incurred under clause (1) and (13) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*" or any Refinancing Indebtedness in respect thereof); *provided*, *however*, that in connection with any prepayment, repayment, purchase or redemption of Indebtedness pursuant to this sub-clause (1) (except in the case of any revolving Indebtedness, including but not

limited to the Revolving Facilities Agreement), the Parent or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment to be permanently reduced in an amount equal to the principal amount so prepaid, repaid, purchased or redeemed; *provided*, *further*, that in the case of the prepayment, repayment, purchase or redemption of Senior Secured Indebtedness other than the Revolving Facilities, the Issuer shall prepay, repay, purchase or redeem the Notes on a pro rata basis with such other Senior Secured Indebtedness; (2) to prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary that is not the Issuer or a Guarantor (other than Indebtedness owed to the Parent or any Restricted Subsidiary); or (3) in the case of an Asset Disposition that does not constitute Collateral, to prepay, repay, purchase or redeem (I) Pari Passu Indebtedness (other than Indebtedness owed to the Parent or a Restricted Subsidiary) (i) 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, purchase or redemption, (ii) through repurchase of such Pari Passu Indebtedness in the open market or (iii) pursuant to the contractual optional redemption provisions applicable thereto or (II) Senior Indebtedness (other than Indebtedness owed to the Parent or a Restricted Subsidiary) (i) at a price of no more than 100% of the principal amount of such Senior Indebtedness plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption, (ii) through repurchase of such Senior Indebtedness in the open market or (iii) pursuant to the contractual optional redemption provisions applicable thereto; *provided* that in the case of the prepayment, repayment, purchase or redemption of Pari Passu Indebtedness or Senior Indebtedness (in each case, other than the Notes) pursuant to sub-clause (3), the Issuer shall prepay, repay, purchase or redeem the Notes on a pro rata basis with such other Indebtedness;

(b) to the extent the Parent 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 Parent or a 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 or an Officer of the Parent 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;

(c) to make a capital expenditure pursuant to a definitive binding agreement or a commitment approved by the Board of Directors or an Officer of the Parent; *provided*, *however*, that any such capital expenditure made that is executed or approved within such time will only satisfy this requirement so long as such investment is consummated within 180 days of such 365th day;

(d) to make Restricted Payments pursuant to sub-clause (11)(b) of the third paragraph of the covenant described under "*—Limitation on Restricted Payment*" with the Net Available Cash from Asset Dispositions, provided that the Consolidated Leverage

Ratio specified in such paragraph shall be calculated on a basis pro forma for the relevant Asset Disposition and the application of the proceeds thereof; or

(e) any combination of the foregoing;

provided that, pending the final application of any such Net Available Cash in accordance with clause (a), (b), (c), (d) or (e) above, the Parent and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture.

If an amount less than the Net Available Cash from Asset Dispositions is applied or invested or committed to be applied or invested, or offered to be applied or invested, as provided in the preceding paragraph, an amount equal to the difference will be deemed to constitute "**Excess Proceeds**" under the Indenture. On the 366th day (or the 546th day, in the case of any Net Available Cash committed to be used pursuant to a definitive binding agreement or commitment approved by the Board of Directors or an Officer of the Parent pursuant to clauses (b) or (c) of the second paragraph of this covenant) after the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash from an Asset Disposition, or at such earlier date that the Parent elects, if the aggregate amount of "**Excess Proceeds**" under the Indenture exceeds the greater of £10 million and 2.5% of Consolidated EBITDA, the Parent will be required to make an offer (or procure an offer is made) ("**Asset Disposition Offer**") to all Holders of Notes issued under the Indenture and, to the extent the Parent so elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum aggregate 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 such Notes and 100% of the principal amount of such Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but excluding, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable.

To the extent that the aggregate principal 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 Parent may use any remaining "**Excess Proceeds**" for general corporate purposes, subject to the 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 or by use of a pool factor on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness, or by such other method as (i) the Trustee and (ii) the trustee, agent or similar representative of such Pari Passu Indebtedness, after consultation with the Parent, deem fair and appropriate (and in such manner as complies with applicable legal, depositary and exchange requirements). For the purposes of calculating the aggregate principal amount of any such Indebtedness not denominated in pound sterling or euro, as the case may be based on the denomination of the applicable Notes, such Indebtedness shall be calculated by converting any such aggregate principal amounts into their Sterling Equivalent or Euro Equivalent, as the case may be, determined as of a date selected by

the Parent that is within the Asset Disposition Offer Period (as defined herein). Upon completion of any Asset Disposition Offer, the amount of "**Excess Proceeds**" shall be reset at zero.

Any Net Available Cash payable in respect of the Notes pursuant to this covenant will be allocated between the various series of Notes in proportion to the respective aggregate principal amounts of Notes validly tendered and not withdrawn.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which the relevant Notes are denominated that is actually received upon converting such portion of Net Available Cash into such currency.

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 Parent will purchase (or procure the purchase of) the aggregate principal amount of Notes and, to the extent it so elects, any 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 Parent 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 the case of the Notes, in minimum denominations of £100,000 or €100,000 and in integral multiples of £1,000 or €1,000 in excess thereof, as the case may be. The Parent will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment in accordance with the terms of this covenant. The Parent or the Paying Agent, 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 (or procure the mail or delivery) 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 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 an aggregate principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in an aggregate principal amount with a minimum denomination of £100,000 or €100,000 or in integral multiples of £1,000 or €1,000 in excess thereof, as the case may be. Any Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Parent or 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 Parent or Indebtedness of a Restricted Subsidiary (other than Subordinated Indebtedness of the Issuer or a Guarantor) and the release of the Parent 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 Parent or any Restricted Subsidiary from the transferee that are converted by the Parent 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 Parent 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 Parent or any Restricted Subsidiary (other than Subordinated Indebtedness of the Issuer or a Guarantor) received after the Issue Date from Persons who are not the Parent or any Restricted Subsidiary; and

(5) any Designated Non-Cash Consideration received by the Parent 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 million and 7.5% of Consolidated EBITDA (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 Parent will comply (or procure compliance), to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations 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 Parent will comply (or procure compliance) with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of any conflict.

Maintenance of listing

The Issuer will use its commercially reasonable efforts to obtain and maintain the listing of the Notes on the Official List of the Exchange for so long as such Notes are outstanding; *provided* that if the Issuer is unable to obtain admission to such listing or if at any time the Issuer determines that it will not maintain such listing, it will obtain and thereafter use its commercially reasonable efforts to maintain a listing of such Notes on another stock exchange deemed appropriate by the Board of Directors or an Officer of the Issuer.

Limitation on Affiliate Transactions

The Parent 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 any Affiliate of the Parent (such transaction or series of related transactions, an "**Affiliate Transaction**") involving aggregate value in excess of the greater of £10 million and 2.5% of Consolidated EBITDA unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Parent 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 involves an aggregate value in excess of the greater of £30 million and 10% of Consolidated EBITDA, the terms of such transaction or series of related transactions have been approved by a majority of the members of the Board of Directors of the Parent resolving that such transaction complies with clause (1) above.

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 sub-clause (9)(b)(ii) of the third paragraph of the covenant described under "*—Limitation on Restricted Payments*") or any Permitted Investment;

(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 Parent, any Restricted Subsidiary or any Holding Entity, 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 Parent, in each case in the ordinary course of business;

(3) any Management Advances and any waiver or transaction with respect thereto and any transaction pursuant to or in connection with an MEP, incentive scheme, deferred compensation or similar arrangement (including any MEP Payment);

(4) any transaction between or among the Parent and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction);

(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 Parent, any Restricted Subsidiary or any Holding Entity (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) the Transactions and the entry into and performance of obligations of the Parent 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, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not materially more disadvantageous to the Holders taken as a whole in the good faith judgment of an Officer of the Parent and the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering;

(7) the execution, delivery and performance of any Tax Sharing Agreement (including any transactions which are entered into with any Holding Entity or Unrestricted Subsidiary in order to satisfy the obligations arising under any Tax Sharing Agreement) and the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(8) any payments arising on the exercise of any put or call options (or any equivalent right or obligation) in relation to any Associate or transactions with customers, clients, landlords, suppliers or purchasers or sellers of goods or services, which, in each case, are either fair to the Parent or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an Officer of the Parent or the relevant Restricted Subsidiary or are 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 Parent or any Restricted Subsidiary and any Affiliate of the Parent or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Parent or a Restricted Subsidiary or any Affiliate of the Parent or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Parent 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 or an Officer of the Parent in their reasonable determination, (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other

provisions of the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement, as applicable and (c) directors' qualifying shares and shares issued to foreign nationals as required by applicable law;

(11) without duplication in respect of payments made pursuant to clause (12) below, (a) payments by the Parent or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Holding Entity) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed the greater of £4 million and 2% of Consolidated EBITDA in each twelve month period commencing on the Acquisition Completion Date, and (b) customary payments by the Parent or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Holding Entity) for financial advisory, consulting, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which payments in respect of this sub-clause (b) are approved by a majority of the Board of Directors or an Officer of the Parent in good faith;

(12) payment to any Permitted Holder of all reasonable out-of-pocket expenses Incurred by such Permitted Holder in connection with its direct or indirect investment in the Parent and its Subsidiaries; and

(13) any transaction as to which the Parent delivers to the Trustee a written opinion from an Independent Financial Advisor stating that the transaction (a) is fair to the Parent and its Restricted Subsidiaries from a financial point of view, or (b) meets the requirements of clause (1) of the first paragraph of this covenant.

Reports

For so long as any Notes are outstanding, the Parent will provide to the Trustee the following reports:

(1) within 120 days (or, in the case of the first fiscal year ending after the Issue Date, 150 days) after the end of the Parent'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 Parent as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Parent for the two 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 Parent (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 (and which have not already been the subject of pro forma information provided by the Parent); (c) an operating and financial review of the audited financial statements, including

a discussion of the results of operations, financial condition and liquidity and capital resources of the Parent, and a discussion of material commitments and contingencies and critical accounting policies; (d) a description of the business, management and shareholders of the Parent, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; 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 Parent (or, in the case of the third fiscal quarter in 2021, 90 days), all quarterly reports of the Parent containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such fiscal quarter and unaudited condensed statements of income and cash flow for the most recently completed fiscal 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 Parent (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 fiscal quarter (and which have not already been the subject of pro forma information provided by the Parent); (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition and material changes in liquidity and capital resources of the Parent, 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

(3) promptly after the occurrence of any material acquisition, disposition, restructuring, merger or similar transaction, or any senior executive officer changes at the Parent or change in auditors of the Parent or any other material event that the Parent announces publicly, a report containing a description of such event.

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement and on a consistent basis for the periods presented; *provided*, *however*, that in the reports set forth in clauses (1), (2) and (3) above, in the event of a change in applicable IFRS, earlier periods may be presented on a basis that applied to such periods. Except as provided for below, no report need include separate financial statements for any Subsidiaries of the Parent. At the Parent's election it may also include financial statements of the Target or a Holding Entity in lieu of those of the Parent; *provided* that, if the financial statements of the Target or a Holding Entity are included in such report, a reasonably detailed description of material differences between the financial statements of the Target or the Holding Entity, as the case may be, and the Parent shall be included for any period after the Issue Date. Following an Initial Public Offering of the Capital Stock of an IPO Entity and/or the listing of such Capital Stock on a recognized stock exchange, the requirements of clauses (1), (2) and (3) above shall be considered to have been fulfilled if the IPO Entity complies with the reporting requirements of such stock exchange.

At any time that any of the Parent'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 Parent, then the annual and quarterly financial information required by clauses (1) and (2) of the first paragraph of this covenant shall include either (i) a reasonably detailed presentation of the financial condition and results of operations of the Parent and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Parent 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 Parent and its Subsidiaries, which reconciliation shall include the following items: revenue, finance costs, profit/loss for the period, cash and cash equivalents, total assets, total liabilities, equity and capital expenditures. Notwithstanding the foregoing, for so long as the results of ACMH and its Subsidiaries are consolidated within the financial results of the Parent, and the Parent and its Restricted Subsidiaries are directly or indirectly entitled to all or substantially all of the distributable profits of ACMH and its Subsidiaries, through ownership of preferred ordinary shares or otherwise, the reporting requirements relating to Unrestricted Subsidiaries set out in this paragraph shall not apply with respect to ACMH and its Subsidiaries.

Substantially concurrently with the issuance to the Trustee of the reports specified in clause (1), (2) and (3) of the first paragraph of this covenant, the Parent shall also (a) use its commercially reasonable efforts (i) to post copies of such reports on such password protected website as may be then maintained by the Parent and its Subsidiaries or (ii) otherwise to provide substantially comparable public availability of such reports (as determined by the Board of Directors or an Officer of the Parent in good faith) or (b) to the extent the Board of Directors or an Officer of the Parent determines in good faith that it cannot make such reports available in the manner described in the preceding clause (a) owing to applicable law or after the use of its commercially reasonable efforts, furnish such reports to the Holders and, upon their request, prospective purchasers of the Notes.

The Issuer will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant, if and so long as the Notes are listed on the Official List of the Exchange, and if and to the extent the rules of the Authority so require, at the registered office of the Issuer.

In addition, so long as the Notes remain outstanding and during any period during which the Parent is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Parent 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.

Delivery of any information, documents and reports to the Trustee pursuant to this section is for information purposes and the Trustee's receipt shall not constitute constructive notice of any information contained therein, including the Issuer's compliance with any of its covenants under the Indenture.

Merger and consolidation

The Issuer and the Parent

Neither the Issuer nor the Parent will consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless (and subject to the other terms of the Indenture):

(1) the resulting, surviving or transferee Person (the "**Successor Company**") (if not the Parent or the Issuer, as applicable) will be a Person organized and existing under the laws of any Permissible Jurisdiction and the Successor Company (if not the Parent or the Issuer, as applicable) will expressly assume (subject in each case to any limitation contemplated by the Agreed Security Principles), (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Parent 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 Parent or the Issuer, as applicable, under the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Transaction 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 permitted 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 Parent and its Restricted Subsidiaries for the most recently ended four fiscal quarters for which internal financial statements are available immediately preceding the date on which such transaction is consummated would not be lower than it was immediately prior to giving effect to such transaction; and

(4) the Parent shall have delivered to the Trustee an Officer's Certificate that such consolidation, merger or transfer and such supplemental indenture (if any) complies with the Indenture, and that all conditions precedent provided for therein relating to such transaction have been complied with or satisfied, and that the assumption (if any) of obligations under clause (1) above constitutes the legal, valid and binding obligation of the Successor Company. The Trustee shall be entitled to rely conclusively on such Officer's Certificate without independent verification.

Any Indebtedness that becomes an obligation of the Parent 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 of the properties and assets of one or more Subsidiaries of the Parent, which properties and assets, if held by the Parent instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Parent on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Parent, as the case may be.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Parent under the Indenture and the Notes but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Indenture or the Notes.

Notwithstanding the preceding clauses (2) and (3), the second paragraph of this covenant and the provisions described below under "*—Subsidiary Guarantors*" (which do not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Parent 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 Parent may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Parent, reincorporating the Parent in another jurisdiction, or changing the legal form of the Parent.

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.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this covenant) will not apply to (i) any transactions which constitute an Asset Disposition if the Parent has complied with the covenant described under "*—Limitation on sales of assets and Subsidiary stock*" or (ii) the creation of a new subsidiary as a Restricted Subsidiary.

Subsidiary Guarantors

No Subsidiary Guarantor may (other than a Subsidiary Guarantor whose guarantee is to be released in accordance with the terms of the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement):

(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 such Subsidiary Guarantor,

unless

(A) the other Person is the Parent or any Restricted Subsidiary that is a Guarantor or becomes a Guarantor; or

(B) (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes (in each case, subject to any limitation contemplated by the Agreed Security Principles) all of the obligations of the Guarantor under its Note Guarantee and, to the extent required by applicable law to effect such assumption, the obligations under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Transaction Security Documents to which it is a party, in each case, subject to any limitation contemplated by the Agreed Security Principles; 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 Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor (in each case other than to the Parent or a Restricted Subsidiary) otherwise permitted by the Indenture.

Notwithstanding the preceding sub-clause (B) and the provisions described under "*—The Issuer and the Parent*" (which do not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to a Subsidiary Guarantor and (b) if there is more than one Subsidiary Guarantor, any Subsidiary Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of their respective properties and assets to any other Subsidiary Guarantor, as the case may be. Notwithstanding the preceding sub-clause (B)(2) (which does not apply to the transactions referred to in this sentence), a Subsidiary Guarantor may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Subsidiary Guarantor reincorporating such Subsidiary Guarantor in another jurisdiction, or changing the legal form of such Subsidiary Guarantor, as the case may be.

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, 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*," "*—Additional Note Guarantees and Collateral*" and the provisions of clause (3) of the first paragraph of the covenant described under "*—Merger and consolidation—*

The Issuer and the Parent," (together, the "**Suspended Covenants**") and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Parent 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 Parent or any of its Restricted Subsidiaries properly taken during the continuance of the Suspension Event, and the "*—Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Parent'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 sub-clause (4)(b) of the second paragraph of the covenant described under "*—Limitation on Indebtedness.*"

In addition, on the Reversion Date, (1) any Affiliate Transaction entered into after the Reversion Date pursuant to an agreement entered into during the continuance of the Suspension Event shall be deemed to be permitted pursuant to clause (6) of the second paragraph of the covenant described under "*—Limitation on Affiliate Transactions*" and (2) any encumbrance or restriction on the ability of any Restricted Subsidiary to take any action described in clauses (A) through (C) of the first paragraph of the covenant described under "*—Limitation on restrictions on distributions from Restricted Subsidiaries*" that becomes effective during the continuance of the Suspension Event shall be deemed to be permitted pursuant to sub-clause (1)(c) of the second paragraph of the covenant described under "*—Limitation on restrictions on distributions from Restricted Subsidiaries*."

The Parent shall notify the Trustee that the conditions under this covenant have been satisfied, although such notification shall not be a condition for the suspension of the Suspended Covenants. The Trustee shall not be obliged to notify Holders of any Suspension Event or Reversion Date.

Notwithstanding that the Suspended Covenants shall be reinstated on and from the Reversion Date, no Default, Event of Default or breach of any kind will be deemed to exist under the Indenture with respect to the Suspended Covenants, and none of the Parent or any of its Subsidiaries shall bear any liability for any actions taken or events occurring during the continuance of the Suspension Event, or any actions taken at any time pursuant to any contractual obligation arising during the continuance of the Suspension Event, in each case, as a result of a failure to comply with the Suspended Covenants during the continuance of the Suspension Event (or, upon termination of the Suspension Event or after that time based solely on any action taken or event that occurred during the continuance of the Suspension Event), and following a Reversion Date, the Parent and each Restricted Subsidiary will be permitted, without causing a Default or Event of Default, to honor, comply with or otherwise perform any contractual commitments or

obligations arising during the continuance of any Suspension Event to the extent that such contractual commitments or obligations are permitted or not prohibited under the Indenture, and to consummate the transactions contemplated thereby.

Financial calculations

When calculating the satisfaction of or availability under any Applicable Metric in the Indenture in connection with any Applicable Transaction, the date of determination of such Applicable Metric shall, at the option of the Parent, be any Applicable Test Date. If the Parent elects to determine any Applicable Metric as of any Applicable Test Date, it shall give pro forma effect to any other Applicable Transactions that have occurred up to (and including) such Applicable Test Date; *provided* that the pro forma calculation may exclude any non-recurring fees, costs and expenses attributable to any Applicable Transaction.

If compliance with an Applicable Metric is established in accordance with the prior paragraph, such Applicable Metric shall be deemed to have been complied with (or satisfied) for all purposes; *provided* that (1) the Parent may elect, in its sole discretion, to recalculate any Applicable Metric on the basis of a more recent Applicable Test Date, in which case, such date of redetermination shall thereafter be deemed to be the relevant Applicable Test Date for purposes of such Applicable Metrics; and (2) save as contemplated in clause (1) above, compliance with any Applicable Metric shall not be determined or tested at any time after the relevant Applicable Test Date for such transaction and any actions or transactions related thereto.

If any Applicable Metric for which compliance was determined or tested as of an Applicable Test Date would at any time after the Applicable Test Date have been exceeded or otherwise failed to have been complied with as a result of fluctuations in such Applicable Metric (or any other Applicable Metric), such Applicable Metric will not be deemed to have been exceeded or failed to have been complied with as a result of such fluctuations.

If any related requirements and conditions (including as to the absence of any continuing Default or Event of Default) for which compliance or satisfaction was determined or tested as of the Applicable Test Date would at any time after the Applicable Test Date not have been complied with or satisfied (including due to the occurrence or continuation of a Default or an Event of Default), such requirements and conditions will not be deemed to have been failed to be complied with or satisfied (and such Default or Event of Default shall be deemed not to have occurred or be continuing).

If an item of Indebtedness (or any portion thereof) is committed, incurred or issued, any Lien is committed or incurred or any other transaction is undertaken or any Applicable Metric is tested in reliance on a ratio-based basket based on the Fixed Charge Coverage Ratio, the Consolidated Senior Secured Leverage Ratio, the Consolidated Leverage Ratio or any other ratio based Applicable Metric, such ratios shall be calculated without regard to the Incurrence of any Indebtedness to finance the working capital needs of the Parent and its Restricted Subsidiaries under any revolving facility, letter of credit facility, bank guarantee facility or bonding facility and/or other debt which is available to be re-drawn (including under the Revolving Facilities, any guarantee facility or any ancillary facility under the Revolving Facilities Agreement) and, for the

avoidance of doubt, any undrawn commitments for Indebtedness (including under a revolving facility or guarantee facility) shall be disregarded for the purposes of testing the Applicable Metric.

If any Applicable Metric is determined by reference to the greater of a fixed amount (the "**numerical permission**") and a percentage of Consolidated EBITDA (the "**grower permission**") and the grower permission of the Applicable Metric exceeds the applicable numerical permission at any time as a result of an acquisition or Investment that is permitted under the Indenture, the numerical permission shall be deemed to be increased to the highest amount of the grower permission reached from time to time as a result of any such acquisitions and/or investments and shall not subsequently be reduced as a result of any decrease in the grower permission.

Subject to the covenant described under "*—Limitation on Indebtedness*," if a proposed action, matter, transaction or amount (or a portion thereof) is incurred or entered into pursuant to a numerical permission and at a later time would subsequently be permitted under a ratio-based permission, unless otherwise elected by the Parent, such action, matter, transaction or amount (or a portion thereof) shall automatically be reclassified to such ratio-based permission.

For any relevant Applicable Metric set by reference to a fiscal year, a calendar year, a four-quarter period or any other similar annual period (each an "**Annual Period**"):

(a) at the option of the Parent, the maximum amount so permitted under such Applicable Metric during such Annual Period may be increased by: (A) an amount equal to 100% of the difference (if positive) between the permitted amount in the immediately preceding Annual Period and the amount thereof actually used or applied by the Parent and its Restricted Subsidiaries during such preceding Annual Period (the "**Carry Forward Amount**"); and/or (B) an amount equal to 100% of the permitted amount in the immediately following Annual Period and the permitted amount in such immediately following Annual Period shall be reduced by such corresponding amount (the "**Carry Back Amount**"); and

(b) to the extent that the maximum amount so permitted under such Applicable Metric during such Annual Period is increased in accordance with clause (a) of this paragraph, any usage of such Applicable Metric during such Annual Period shall be deemed to be applied in the following order: (A) first, against the Carry Forward Amount; (B) second, against the maximum amount so permitted during such Annual Period prior to any increase in accordance with clause (a) of this paragraph; and (C) third, against the Carry Back Amount.

Notwithstanding anything to the contrary in the Indenture, when calculating any financial definition or ratio under the Indenture, the Parent shall be permitted to exclude all or any part of any expenditure or other negative item (and/or the impact thereof) directly or indirectly relating to or resulting from (1) the Transactions; (2) any other acquisition, Investment or other joint venture permitted by the terms of the Indenture or the impact from purchase price accounting; (3) start-up costs for new businesses or sites and branding or re-branding of existing businesses; and/or (4) costs or expenses relating to employee relocation, retraining, severance and termination, business interruption, reorganization and other restructuring or cost cutting measures, the rationalization, re-branding, start up, reduction or elimination of product lines, assets, sites or businesses, the consolidation, relocation or closure of sites or administrative locations and other similar items (for the avoidance of doubt, excluding any related capital expenditure).

Additional Note Guarantees and Collateral

Subject to the Agreed Security Principles, the Intercreditor Agreement and any Additional Intercreditor Agreement, the Parent will not cause or permit any of its Restricted Subsidiaries (other than a Permitted Purchase Obligations SPV) that are not Guarantors or the Issuer, directly or indirectly, to Guarantee any Indebtedness under the Revolving Facilities Agreement (or other Indebtedness that is Incurred under clause (1) of the second paragraph of the covenant described under "—*Limitation on Indebtedness*") or any Public Debt exceeding £20 million in principal amount, in whole or in part unless, in each case, such Restricted Subsidiary becomes a Guarantor on the date on which such other Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture or other appropriate agreement pursuant to which such Restricted Subsidiary will provide a Guarantee on the same terms and conditions as those set forth in the Indenture, which Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's Guarantee of such other Indebtedness.

A Restricted Subsidiary that is not a Guarantor may become a Guarantor if it executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Guarantee.

Following the provision of any additional Guarantees as described above, subject to the Agreed Security Principles, the Intercreditor Agreement and any Additional Intercreditor Agreement (if such security is being granted in respect of the other Indebtedness), any such Guarantor will provide security over certain of its material assets (excluding any assets of such Guarantor which are subject to a Permitted Lien at the time of the execution of such supplemental indenture if providing such security interest would not be permitted by the terms of such Permitted Lien or by the terms of any obligations secured by such Permitted Lien) to secure its Guarantee on a first priority basis consistent with the security agreements related to the existing Collateral. Each additional Guarantee or security 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, thin capitalization, distributable reserves, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Notwithstanding the foregoing paragraphs, the Parent will not be obligated to cause such Restricted Subsidiary to Guarantee the Notes or provide security to the extent and for so long as the Incurrence of such Guarantee could or the grant of such security would be inconsistent with the Intercreditor Agreement or the Agreed Security Principles or if the relevant assets to be subject to such security are the capital stock or assets of a Permitted Purchase Obligations SPV.

Impairment of security interest

The Parent and Midco shall not, and shall not permit any Restricted Subsidiary to, take any action, which action 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, or the confirmation or affirmation of security interests in respect of the Collateral, 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 Parent and Midco 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 Transaction Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement, any Lien over any of the Collateral that is prohibited by the covenant entitled "*—Limitation on Liens*;" *provided* that the Parent, its Restricted Subsidiaries and Midco may Incur any Lien over any of the Collateral that is not prohibited by the covenant entitled "*—Limitation on Liens*," including Permitted Collateral Liens, and the Collateral may be discharged, transferred or released in any circumstances not prohibited by the Indenture, the applicable Transaction Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement.

Notwithstanding the above, nothing in this covenant shall restrict the discharge and release of any Lien in accordance with the Indenture, the applicable Transaction Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement.

Subject to the foregoing, the Transaction Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released 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 or to effect or facilitate the creation of Permitted Collateral Liens for the benefit of the Security Agent and the holders of other Indebtedness Incurred in accordance with the Indenture) no Transaction Security Document may be amended, extended, renewed, restated or otherwise modified or released unless contemporaneously with such amendment, extension, renewal, restatement or modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), the Parent 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 which confirms the solvency of the Parent and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification or release, (2) a certificate from an Officer of the relevant Person which confirms the solvency of the Person granting such Lien after giving effect to any transactions related to such amendment, extension, renewal, restatement, 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 Trustee and the Security Agent, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, 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 Transaction Security Document, so amended, extended, renewed, restated, modified or released and replaced 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, modification or release and replacement and to which the new Indebtedness secured by the Permitted Collateral Lien is not subject. In the event that the Parent, its Restricted Subsidiaries and Midco 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 Parent, its Restricted Subsidiaries and Midco 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 Transaction Security Documents in any required register and for perfecting or protecting the security intended to be afforded by such Transaction Security Documents and (ii) if such Transaction Security Documents have become enforceable, for facilitating the realization of all or any part of the assets which are subject to such Transaction 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 Parent, its Restricted Subsidiaries and Midco 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.

Limitation on Issuer activities and on Trust Management SPVs and amendments to fund arrangements

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 or any Indebtedness permitted to be Incurred under the Indenture; (b) undertaken with the purpose of fulfilling its obligations under the Notes, the Indenture and any other document relating to the Notes or any Indebtedness permitted to be Incurred under the Indenture, including without limitation any security documents, or any intercreditor agreement; (c) related to the establishment and maintenance of the Issuer's corporate existence; (d) related to using amounts received by the Issuer for any purpose not otherwise prohibited by the Indenture; or (e) related to the foregoing. The Issuer will not issue any Capital Stock (other than to the Parent or a Restricted Subsidiary) or 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.

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 Parent or any other Restricted Subsidiary; (c) incur any Indebtedness other than Indebtedness without recourse to the Parent 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.

Limitation on amendments to fund compensation agreements

The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, amend any ACO 1 Compensation Arrangement unless (i) the terms of such amendment (or the ACO 1 Compensation Arrangement as so amended) taken as a whole are in the good faith determination of an Officer of the Parent fair to the Parent and its Restricted Subsidiaries; and (ii) in the event such amendment involves an aggregate value in excess of the greater of £30 million and 10% of Consolidated EBITDA, the terms of such amendment have been approved by a majority of the members of the Board of Directors of the Parent resolving that such transaction complies with clause (i) above.

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 at least 30% in aggregate principal amount of the outstanding Notes with any of the Issuer's obligations under the covenants described under "*—Change of Control*" above or the obligations of the Parent and the Restricted Subsidiaries 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 by the Parent or any of its Restricted Subsidiaries to comply for 60 days after written notice by the Trustee on behalf of the Holders or by the Holders of at least 30% in aggregate principal amount of the outstanding Notes with the Issuer's or the Guarantors' 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 Parent or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Parent or any of its Restricted Subsidiaries) other than Indebtedness owed to the Parent or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:

(a) is caused by a failure to pay principal at Stated Maturity 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 aggregate principal amount of any such Indebtedness, together with the aggregate 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 £30 million or more;

(6) certain events of bankruptcy, insolvency or court protection of the Issuer, the Parent, Midco, or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Parent and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the "**bankruptcy provisions**");

(7) failure by the Issuer, the Parent, a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Parent and its Restricted Subsidiaries), would constitute a Significant Subsidiary, to pay final judgments aggregating in excess of £30 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 and due (the "**judgment default provision**");

(8) any security interest under the Transaction Security Documents on any material Collateral having a fair market value in excess of £30 million shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Transaction Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement 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, the Intercreditor Agreement, any Additional Intercreditor Agreement or such Transaction Security Document or any such security interest created thereunder shall be declared invalid or unenforceable in a final non-appealable decision of a court of competent jurisdiction or the Issuer shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days (the "**security default provisions**"); and

(9) any Note Guarantee ceases to be in full force and effect (other than in accordance with the terms of the Intercreditor Agreement and the Indenture), or a Guarantor denies or disaffirms its obligations under its Note Guarantee in writing, other than in accordance with the terms thereof or upon release of the Note Guarantee in accordance with the Indenture.

However, 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 at least 30% in aggregate principal amount of the outstanding Notes notify the Parent of the default and, with respect to clauses (3), (4), (5) and (7), the Parent does not cure such default (or arranges for such default to be cured) within the time specified in clauses (3), (4), (5) or (7), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (6) above) occurs and is continuing, the Trustee by notice to the Parent, or the Holders of at least 30% in aggregate principal amount of the outstanding Notes by written notice to the Parent 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) of this "*Events of Default*" section 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) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest, including Additional Amounts, if any, on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (6) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

The Holders of a majority in aggregate principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to (i) 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 at least 90% of the principal amount of the Notes then outstanding, each of which may only be waived with the consent of the Holders of at least 90% of the 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 prefunding) 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 30% in aggregate principal amount of the outstanding Notes have requested in writing the Trustee to pursue the remedy;

(3) such Holders have offered in writing the Trustee indemnity and/or security (including by way of prefunding) 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 offer of security and/or indemnity (including by way of prefunding); and

(5) the Holders of a majority in aggregate 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 exercising 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 has occurred and is continuing and a responsible officer of the Trustee has received written notice, 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 (including by way of prefunding) 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 a responsible officer of the Trustee is informed of such occurrence by the Parent, the Trustee must give notice of the Default to the Holders within 90 days after being notified by the Parent. The Parent will be required to deliver to the Trustee, within 120 days (or, in the case of the first fiscal year ending after the Issue Date, 150 days) after the end of each fiscal year, a certificate signed by an authorized representative of the Parent indicating whether the signers thereof know of any Default that occurred during the previous year. The Parent will be 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 a Default or an Event of Default, their status and what action the Parent is taking or proposes to take in respect thereof.

The Indenture 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 (including by way of prefunding) 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 Holders to take action directly.

Holders may not enforce the Indenture or the Notes except as will be provided in the Indenture and may not enforce the Transaction Security Documents except as will be provided in such Transaction Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

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 aggregate 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 aggregate 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 amend, waive or modify one or more series of the Notes, at the election of the Parent only the consent of a majority in aggregate principal amount of the then outstanding Notes of each such series (and not the consent of at least a majority of all Notes then outstanding) shall be required. However, without the consent of Holders holding not less than 90% (or, in the case of clauses (8) and (9), 75%) of the then outstanding aggregate principal amount of Notes (or if such amendment, waiver or other modification will only amend, waive or modify one or more series of the Notes, at the election of the Parent, the same percentage of the relevant one or more series of Notes), an amendment or waiver may not, with respect to any such series of the Notes held by a non-consenting Holder:

(1) reduce the principal amount of such Notes whose Holders must consent to an amendment, waiver or modification;

(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 money other than that stated in such Note;

(6) amend the contractual right of any Holder to institute suit for the payment of principal or interest on or with respect to such Holder's Notes on or after the due dates thereof;

(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 or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Payor agrees to pay Additional Amounts, if any, in respect thereof;

(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, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(9) release the security interest granted for the benefit of the Holders in the material Collateral, other than pursuant to the terms of the Transaction Security Document or the Indenture, as applicable, except as permitted by the Indenture, the Intercreditor Agreement or any Additional 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 holding not less than 90% (or, in the case of clause (8) and (9), 75%) of the then outstanding aggregate principal amount of such Notes.

Notwithstanding the foregoing, without the consent of any Holder, the Parent, the Issuer, the Guarantors, the Trustee 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 the "*Description of the Notes*" contained in an Offering Memorandum (to the extent such amendment or supplement is in respect of Note Documents for a new series of Notes without affecting the Note Documents for Notes already in issue), 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 4701(b)(1)(B) of the Code) or change the minimum denominations for the Notes;

(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 Parent or any Restricted Subsidiary;

(5) make any change that would provide additional rights or benefits to the Trustee or the Holders or does not adversely affect the rights of or benefits to the Trustee or any Holder in any material respect;

(6) make such provisions as necessary (as determined in good faith by the Board of Directors or an Officer of the Parent) 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—Limitation on Indebtedness*" and "*—Certain covenants—Additional Note Guarantees and Collateral*" to add Note Guarantees, add security to or for the benefit of the Notes, or confirm and evidence the release, termination, discharge or retaking of any Note Guarantee or Lien (including the Collateral and the Transaction Security Documents) or any amendment in respect thereon with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is permitted under the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Transaction Security Documents;

(8) evidence and provide for the acceptance and appointment under the Indenture of a successor Trustee pursuant to the requirements thereof or to provide for the accession by the Trustee to any Note Document; or

(9) in the case of the Transaction Security Documents, mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of parties to the Revolving Facilities Agreement in any property which is required by the Revolving Facilities Agreement (in each case, 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.

In formulating its decisions on such matters, the Trustee shall be entitled to rely on such evidence as it deems appropriate, including Officer's Certificates and Opinions of Counsel.

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.

If and for so long as the Notes are listed on the Official List of the Exchange, and if and to the extent that the rules of the Authority so require, the Issuer will notify the Exchange of any amendment, supplement and waiver.

For the purposes of calculating the aggregate principal amount of the Notes under these provisions, the principal amount of any Notes not denominated in pound sterling shall be translated into the Sterling Equivalent amount as of a determination date to be established by the Issuer in connection with any amendment, consent, waiver or modification sought hereunder.

Acts by Holders

In determining whether the Holders of the required aggregate principal amount of the Notes have concurred in any direction, waiver or consent, any Notes owned by the Issuer, the Parent or any Subsidiary or Holding Company of the Parent will be disregarded and deemed not to be outstanding (save as provided in the ninth paragraph of the provisions described under "*—Change of Control*").

Defeasance

The Issuer at any time may terminate all its, Midco's and each Guarantor's obligations 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 Transaction Security Documents in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate all its, Midco's and each Guarantor's obligations under the covenants described under "*—Certain covenants*" (other than with respect to clauses (1) and (2) of the covenant described under "*—Certain covenants—Merger and consolidation—The Issuer and the Parent*" and the covenant described under "*—Certain covenants—Merger and consolidation—Subsidiary Guarantors*") 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*" and the covenant described under "*—Certain covenants—Merger and consolidation—Subsidiary Guarantors*"), (4), (5), (6) (other than with respect to the Issuer and the Parent), (7), (8) or (9) 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) (i) with respect to the Notes denominated in pound sterling, cash in pound sterling, UK Government Obligations, or a combination of cash in pound sterling and UK Government Obligations and (ii) with respect to the Notes denominated in euro, cash in euro, euro-denominated European Government Obligations or a combination of cash in euro and euro-denominated European Government Obligations, in each case, in such amounts as will be

sufficient, in the good faith determination of the Board of Directors or an Officer of the Parent, 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, as amended; 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 Intercreditor Agreement, any Additional Intercreditor Agreement and the Transaction Security Document will be discharged and cease to be of further effect (except as to surviving rights of the Trustee and conversion or transfer or exchange of the Notes, as will be 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 Paying Agent for cancellation; or (b) all Notes not previously delivered to the Paying Agent 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 Paying Agent and 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), (i) with respect to the Notes denominated in pound sterling, cash in pound sterling, UK Government Obligations or a combination of cash in

pound sterling and UK Government Obligations and (ii) with respect to the Notes denominated in euro, cash in euro, euro-denominated European Government Obligations, or a combination of cash in euro and euro-denominated European Government Obligations, in each case, in an amount sufficient, in the good faith determination of the Board of Directors or an Officer of the Parent to pay and discharge the outstanding aggregate principal amount of indebtedness on the Notes not previously delivered to the Paying Agent 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)).

No personal liability of directors, officers, employees and shareholders

No director, officer, employee, incorporator or shareholder of the Issuer, Midco or the Parent, any of the Parent's Subsidiaries or any of their respective Affiliates, as such, shall have any liability for any obligations of the Issuer, Midco 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

GLAS Trust Company LLC will be the Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default of which a responsible officer of the Trustee has received written notice, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default of which a responsible officer of the Trustee has received written notice, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture is not to be construed as an obligation or duty.

The Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee is permitted to engage in other transactions with the Parent, the Issuer and their respective Affiliates and Subsidiaries.

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 by giving notice to the Trustee and the Issuer, or may resign at any time by giving written notice to the Issuer and (2)

that if the Trustee at any time (a) has or acquires a conflict of interest in its capacity as Trustee 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. Each of the Trustee and the Security Agent shall be entitled to rely solely and conclusively on any Officer's Certificate in formulating its opinion or in taking any action (including, without limitation, release of a Guarantee or Collateral) under the Indenture, and may rely on such Officer's Certificate without need for investigation or verification (including for the avoidance of doubt the receipt of Opinions of Counsel), except as may otherwise be expressly required under the terms of the Indenture.

Notices

All notices to Holders will be validly given if emailed to them at their respective email addresses in the register of the Holders, if any, maintained by the Registrar. In addition, if and for so long as the Notes are listed on the Official List of the Exchange, and if and to the extent that the rules of the Authority so require, the Issuer will notify the Authority of any notices with respect to the Notes. For so long as any Notes are represented by Global Notes, all notices to Holders will be delivered to Euroclear and Clearstream, delivery of which shall be deemed to satisfy the requirements of this paragraph, for further transmission to the holders of Book-Entry Interests.

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 emailed, such notice shall be deemed to have been given on the later of such publication and the day after being so emailed. Any notice or communication emailed to a Holder shall be emailed to such Person's email addresses in the register of the Holders and shall be sufficiently given to such Holder if so emailed within the time prescribed. Failure to email, cause to be delivered or otherwise transmit 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 emailed or delivered 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 five 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 three years after the applicable due date for payment of interest.

Currency indemnity

The currency in which any series of Notes hereunder is issued (the "**Relevant Currency**") is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with such series of Notes and the relevant Guarantees, as the case may be, including damages. Any amount received or recovered in a currency other than the Relevant Currency, 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, 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 a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the Relevant Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that Relevant Currency amount is less than the Relevant Currency amount expressed to be due to the recipient or the Trustee under any series of Notes, 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 on a joint and several basis 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 reasonably 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 Guarantor's 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.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any pound sterling-denominated restriction herein, the Sterling Equivalent amount for purposes hereof that is denominated in a currency other than pound sterling shall be calculated based on the relevant currency exchange rate in effect on the date such non-pound sterling amount is Incurred or made, as the case may be.

Enforceability of judgments

Since all the assets of the Issuer, Midco and the Guarantors are held or located outside the United States, any judgment obtained in the United States against the Issuer, Midco or any Guarantor, 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 or the Guarantees, 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 and the Note Guarantees, the Issuer, Midco and each Guarantor 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 will be governed by and construed in accordance with the laws of the State of New York.

Certain Definitions

Set forth below are certain defined terms which will be used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms to be used therein, as well as any other capitalized terms used herein for which no definition is provided.

"**ACO 1**" means Arrow Credit Opportunities Scsp or any successor entity to the business of Arrow Credit Opportunities Scsp, including any separately managed accounts associated with Arrow Credit Opportunities Scsp.

"**ACO 1 Compensation Arrangements**" means (1) any agreements between ACO 1 and/or ACML, on the one hand, and the Parent and/or any of its Restricted Subsidiaries, on the other, relating to the payment or allocation of management fees or carried interest in relation to ACO 1 and (2) the preferred ordinary shares issued by ACML and held by Arrow Global Limited.

"**Acquired Indebtedness**" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person 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 Parent or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to sub-clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to sub-clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to sub-clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"**Acquisition**" means the acquisition by Bidco of control of the Target pursuant to a scheme of arrangement.

"**Acquisition Completion Date**" means October 11, 2021.

"**Additional Assets**" means:

(1) any property or assets used or to be used by the Parent, 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), including for the avoidance of doubt, Rights to Collect, Rights to Participate and Underlying Portfolio 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 Parent or a Restricted Subsidiary; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary.

"**Additional Intercreditor Agreement**" means one or more intercreditor agreements or deeds, including a restatement, replacement, amendment or other modification of the Intercreditor Agreement.

"**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 Revolving Facilities Agreement, as applied reasonably and in good faith by the Board of Directors or an Officer of the Parent.

"**Applicable Metric**" means any financial covenant or financial ratio or Incurrence-based permission, test, basket or threshold in the Indenture (including any financial definition or component thereof and any financial ratio, test, basket or threshold or permission based on the calculation of Consolidated EBITDA, the Consolidated Senior Secured Leverage Ratio, the Consolidated Leverage Ratio or the Fixed Charge Coverage Ratio), any Default, Event of Default or other relevant breach of the Indenture.

"**Applicable Premium**" means:

(A) with respect to any Sterling Note on any redemption date, the greater of:

(1) 1.0% of the principal amount of such Sterling Note; or

(2) the excess of:

(i) the present value at such redemption date of (x) the redemption price of such Sterling Note at November 15, 2023 (such redemption price being set forth in the table appearing under the caption "*—Optional redemption—Optional redemption of the Sterling Notes*"), plus (y) all required interest payments due on such Sterling Note through November 15, 2023 (excluding accrued but unpaid interest), computed using a discount rate equal to the Gilt Rate as of the date of such redemption notice plus 50 basis points; over

(ii) the outstanding principal amount of such Sterling 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 an obligation or duty of the Trustee, the Paying Agent, the Calculation Agent, the Transfer Agent or the Registrar;

(B) with respect to any Euro Fixed Rate Note on any redemption date, the greater of:

(1) 1.0% of the principal amount of such Euro Fixed Rate Note; or

(2) the excess of:

(i) the present value at such redemption date of (x) the redemption price of such Euro Fixed Rate Note at November 15, 2023 (such redemption price being set forth in the table appearing under the caption "*—Optional redemption—Optional redemption of the Euro Fixed Rate Notes*"), plus (y) all required interest payments due on such Euro Fixed Rate Note through November 15, 2023 (excluding accrued but unpaid interest), computed using a discount rate equal to the Bund Rate as of the date of such redemption notice plus 50 basis points; over

(ii) the outstanding principal amount of such Euro Fixed Rate 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 an obligation or duty of the Trustee, the Paying Agent, the Calculation Agent, the Transfer Agent or the Registrar; and

(C) with respect to any Euro Floating Rate Note on any redemption date, the excess of:

(i) the present value at such redemption date of (x) the redemption price of such Euro Floating Rate Note at November 15, 2022 (such redemption price being set forth in the table appearing under the caption "*—Optional redemption—Optional redemption of the Euro Floating Rate Notes*"), plus (y) all required interest payments due on such Euro Floating Rate Note through November 15, 2022 (excluding accrued but unpaid interest), computed using a discount rate equal to the Bund Rate as of the date of such redemption notice plus 50 basis points, and computed as though the interest rate in effect on the date of redemption were applicable throughout such period; over

(ii) the outstanding principal amount of such Euro Floating Rate 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 an obligation or duty of the Trustee, the Paying Agent, the Calculation Agent, the Transfer Agent or the Registrar.

"**Applicable Reporting Date**" means, as at any date of determination, at the Parent's election (which election the Parent may revoke and re-make at any time and from time to time):

(1) the last day of the most recent fiscal quarter in respect of which a report or financial statements have been delivered to the terms of the covenant described under "—*Certain covenants—Reports*," with such Applicable Metric determined by reference to such report or financial statements, whichever is more recent; or

(2) the last day of the most recently completed Annual Period for which the Parent and its Restricted Subsidiaries have sufficient available information to be able to determine such Applicable Metric, with such Applicable Metric determined by reference to such available information.

"**Applicable Test Date**" means the Applicable Transaction Date or, at the Parent's election (which election the Parent may revoke and re-make at any time and from time to time), the Applicable Reporting Date prior to any Applicable Transaction Date.

"**Applicable Transaction**" means any Investment, acquisition, disposition, sale, merger, joint venture, consolidation or other business combination transaction, Incurrence, Change of Control, assumption, commitment, issuance, repayment, repurchase or refinancing of Indebtedness, Disqualified Stock or Preferred Stock and the use of proceeds thereof, any creation of a Lien, any Restricted Payment, any Affiliate Transaction, any designation of a Restricted Subsidiary or Unrestricted Subsidiary, any Asset Disposition or any other transaction for which an Applicable Metric shall be determined; *provided* that, if any such transaction (the "**first transaction**") is being effected in connection with another such transaction (the "**second transaction**"), the second transaction shall also be an Applicable Transaction with respect to the first transaction.

"**Applicable Transaction Date**" means, in relation to any Applicable Transaction, at the Parent's election (which election the Parent may revoke and re-make at any time and from time to time):

(1) the date of any letter, definitive agreement, instrument, put option, scheme of arrangement or similar arrangement in relation to such Applicable Transaction (unilateral, conditional or otherwise);

(2) the date that any commitment, offer, announcement, communication or declaration (unilateral, conditional, or otherwise) with respect to such Applicable Transaction is made or received;

(3) the date that any notice, which may be revocable or conditional, of any repayment, repurchase or refinancing of any relevant Indebtedness is given to the holders of such Indebtedness;

(4) the date of consummation, Incurrence, payment or receipt of payment in respect of the Applicable Transaction;

(5) any other date determined in accordance with the Indenture; or

(6) any other date relevant to the Applicable Transaction determined by the Parent in good faith.

"**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 Parent 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 Parent 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 covenant described under "*—Certain covenants—Limitations on sales of assets and Subsidiary stock*." 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 Parent or by the Parent 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 inventory or Portfolio Assets (including dispositions of Rights to Collect and Rights to Participate), in each case, including into a trust in favor of third parties or otherwise;

(4) a disposition of obsolete, damaged, unnecessary, unsuitable, surplus or worn out equipment, inventory or other assets or equipment, inventory or other assets that are no longer useful in the conduct of the business of the Parent and its Restricted Subsidiaries (including the disposal, lapse or abandonment of intellectual property that it is no longer economically practicable to maintain or which is no longer required for the business of the Parent and its Restricted Subsidiaries);

(5) transactions permitted under "*—Certain covenants—Merger and consolidation*" or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Parent or to a Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Parent;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value of less than the greater of (i) £15 million and (ii) 5% of Consolidated EBITDA;

(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 Payments or Permitted Investments or, solely for purposes of the second paragraph under "*—Certain covenants—Limitation on sales of assets and Subsidiary stock*," asset disposition, 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 but, for the avoidance of doubt, including dealings with trade debtors with respect to book debts;

(11) the licensing or sub-licensing, leasing or assigning of intellectual property or other general intangibles and licenses, sub-licenses, assignments, leases, subleases or other dispositions of other property (including without limitation equipment or vehicles), in each case, in the ordinary course of business or consistent with industry practices;

(12) foreclosure, condemnation or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms and for credit management purposes) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) any disposition of Capital Stock, Indebtedness or other securities or assets of an Unrestricted Subsidiary other than ACMH or any of its Subsidiaries;

(15) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Parent or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(16) any surrender or waiver of contract rights or the settlement, release, recovery on or surrender of contract, tort or other claims of any kind (including any disposition of a loan in connection with a capitalization, forgiveness, waiver, release or other discharge of that loan);

(17) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Parent or any Restricted Subsidiary to such Person;

(18) any disposition with respect to assets built, owned or otherwise acquired by the Parent or any Restricted Subsidiary (together with any related rights and assets) pursuant to sale and leaseback transactions and sale and hire purchase transactions, asset securitizations and other similar financings;

(19) sales or dispositions of receivables, bills of exchange and/or inventory, together with any related rights and assets, including cash collection accounts, books and records (with or without recourse, and on customary or commercially reasonable terms), or any disposition of the Capital Stock of a Subsidiary, all or substantially all of the assets of which relate to a transaction described below:

    (i) in connection with any factoring, sale or discounting transaction (or other receivables based financing arrangements); or

    (ii) in the ordinary course of business; or

    (iii) any dispositions in connection with the entry into a Capitalized Lease Obligation; and

(20) any disposition of any asset made in order to (i) comply with an order of any agency of state, authority or other regulatory body or any applicable law or regulation or (ii) resolve competition concerns identified by the relevant antitrust authorities in connection with an acquisition; *provided* that, the proceeds from such disposition shall be applied in accordance with clauses (a), (b), (c), (d) or (e) of the second paragraph of the covenant described under "*—Certain covenants—Limitation on sales of assets and Subsidiary stock.*"

"**Associate**" means (i) any Person engaged in a Similar Business of which the Parent or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Parent or any Restricted Subsidiary.

"**Backstop Date**" means the date falling 120 days after the Re-Registration Date.

"**Board of Directors**" means (1) with respect to the Parent 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 of the Indenture 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**" means, with respect to any date of a redemption notice, the yield to maturity as of the date of such redemption notice 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 date of such redemption notice (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from the date of such redemption notice to the First Call Date (which "First Call Date" shall be November 15, 2022 (in the case of the Euro Floating Rate Notes) or November 15, 2023 (in the case of the Euro Fixed Rate Notes)); *provided*, *however*, that if the period from the date of such redemption notice to the relevant First Call Date 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 the date of such redemption notice to the relevant First Call Date 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; *provided*, *further*, that if such yield would otherwise be less than zero, it shall be deemed to be zero.

"**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 the Channel Islands are authorized or required by law, regulation or executive order to close; *provided*, *however*, that for any payments to be made under the Indenture, such day shall also be a day on which the TARGET2 payment system is open for the settlement of payments.

"**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 Obligations**" means an obligation that is required to be classified and accounted for as a finance lease for financial reporting purposes on the basis of IFRS as of 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, 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; *provided* that any obligations in respect of leases which are of a type that would have been previously categorized as operating leases prior to the adoption of IFRS 16 ("*Capitalized Operating Leases*") shall not be categorized as Capitalized Lease Obligations for the purposes of the Indenture.

"**Cash Equivalents**" means:

(1) securities issued or directly and fully Guaranteed or insured by a Permissible Jurisdiction or, in each case, any agency or instrumentality thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition (or, if later, from the relevant date of calculation under the Indenture);

(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 Parent or any Restricted Subsidiary) having maturities of not more than one year from the date of acquisition thereof (or, if later, from the relevant date of calculation under the Indenture) issued by any lender to the Parent or a Restricted Subsidiary 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) above or clause (5) below 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 (or, if later, from the relevant date of calculation under the Indenture);

(5) readily marketable direct obligations issued by a Permissible Jurisdiction or any agency or instrumentality 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 (or, if later, from the relevant date of calculation under the Indenture);

(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 (or, if later, from the relevant date of calculation under the Indenture);

(7) bills of exchange issued in a Permissible Jurisdiction or any agency or instrumentality thereof, in each case, eligible for rediscount at the relevant central bank and accepted by a bank or other financial institution (or any dematerialized equivalent); and

(8) interests in any investment company, money market fund or enhanced high yield fund which invests 95% or more of its assets in cash or in instruments of the type specified in clauses (1) through (7) above.

"**Change of Control**" means:

(1) the Parent becomes aware that (by way of a report or any other filing pursuant to any regulatory filing, proxy, vote, written notice or otherwise) 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), other than one or more Permitted Holders, is or has become 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 Parent; *provided* that for the purposes of this clause, (x) any holding company whose only material assets relate to ownership of the Capital Stock of the Parent will not itself be considered a "person" or "group;" and (y) any Voting Stock of which any Permitted Holder is the "beneficial owner" (as so defined) shall not be included in any Voting Stock of which any such person or group is the "beneficial owner" (as so defined), unless that person or group is not an affiliate of a Permitted Holder and has greater voting power with respect to that Voting Stock than any other Permitted Holder; or

(2) 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 Parent and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders;

provided that, in each case, a Change of Control shall not be deemed to have occurred if such Change of Control is also a Specified Change of Control Event.

Notwithstanding the preceding or any provision of Rule 13d-3 of the Exchange Act, (i) a Person or group shall not be deemed to beneficially own securities subject to an equity or asset purchase agreement, merger agreement or similar agreement (or voting or option or similar agreement related thereto) until the consummation of the transactions contemplated by such agreement, (ii) if any group includes one or more Permitted Holders, the issued and outstanding Voting Stock of the Parent beneficially owned, directly or indirectly, by any Permitted Holders that are part of such group shall not be treated as being beneficially owned by any other member of such group for purposes of determining whether a Change of Control has occurred and (iii) a Person or group will not be deemed to beneficially own the Voting Stock of another person as a result of its ownership of Voting Stock or other securities of such other Person's Holding Entity (or related contractual rights) unless it owns 50% or more of the total voting power of the Voting Stock of such Holding Entity. For purposes of this definition and any related definition to the extent used for purposes of this definition, at any time when 50% or more of the total voting power of the Voting Stock of the Parent is directly or indirectly owned by a Holding Entity, all references to the Parent shall be deemed to refer to its ultimate Holding Entity (but excluding any Permitted Holder) that directly or indirectly owns such Voting Stock.

"**Clearstream**" means Clearstream Banking S.A., or any successor securities clearing agency.

"**Code**" means the United States 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.

"**Consolidated EBITDA**" for any period means, without duplication, the Consolidated Net Income for such period, plus the following:

(1) Consolidated Interest Expense;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization, including any amortization of Portfolio Assets, and impairment expense;

(5) any expenses, charges or other costs related to any equity offering (including any Equity Offering and IPO Event), 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 the Parent;

(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;

(7) the amount of (i) management, monitoring, consulting, employment and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under "*—Certain covenants—Limitation on Affiliate Transactions*," and (ii) any fees and other compensation paid to the members of the board of directors (or the equivalent thereof) of the Parent or any Holding Entity;

(8) 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) or other items

classified by the Parent as extraordinary, exceptional, unusual or nonrecurring items, plus the release of provisions, less other non-cash items of income increasing Consolidated Net Income (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (13) inclusive of the definition of Consolidated Net Income and excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period);

(9) any effects of hedging and treasury transactions in respect of actual or anticipated exposures arising in the ordinary course of business of the Parent and its Restricted Subsidiaries;

(10) the aggregate amount of cash or Cash Equivalents distributed by any Unrestricted Subsidiary during such period to the Parent or a Restricted Subsidiary as a dividend or other distribution; and

(11) any COVID Adjustment.

Wherever used in the Indenture:

(i) Consolidated EBITDA shall be adjusted for pro forma and other adjustments (including, without limitation, the pro forma effects of Sales, Purchases and other adjustments) on the same basis as for calculating the Consolidated Leverage Ratio for the Parent and its Restricted Subsidiaries;

(ii) Consolidated EBITDA shall be measured for the period of the most recent four consecutive fiscal quarters ending prior to the date for which such internal consolidated financial statements of the Parent are available, for the relevant Applicable Test Date; and

(iii) in the event that Consolidated EBITDA is to be calculated prior to the end of the fourth complete fiscal quarter after the Acquisition Completion Date, Consolidated EBITDA for any part of the relevant period falling prior to the date on which the Target Group became Subsidiaries of the Parent shall be calculated on the basis that the definition of Consolidated EBITDA is to be construed as if references to the Parent and its Restricted Subsidiaries were references to the Target Group.

"**Consolidated Financial Interest Expense**" means, for any period (in each case, determined on the basis of IFRS), the sum of:

(1) consolidated net interest of the Parent and its Restricted Subsidiaries related to Indebtedness in cash or in kind (including (a) the interest component of Capitalized Lease Obligations, and (b) net payments, if any, pursuant to interest rate Hedging Obligations with respect to Indebtedness) but not including any Pension Items, amortization of discount, debt issuance costs and premiums, commissions, discounts and other fees and charges owed or paid with respect to financings, or costs associated with Hedging Obligations (other than those described in sub-clause (b) above). Notwithstanding anything to the contrary stated above, but subject to clause (3) below, "**Consolidated Financial Interest Expense**" shall not include

any interest expense relating to interest of any entity that is not the relevant Person, the Parent or a Restricted Subsidiary;

(2) dividends or other distributions in respect of all Disqualified Stock of the Parent and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Parent or a Subsidiary of the Parent; and

(3) any interest on Indebtedness of another Person that is guaranteed by the Parent or any of its Restricted Subsidiaries or secured by a Lien on assets of the Parent or any of its Restricted Subsidiaries.

Consolidated Financial Interest Expense shall be calculated net of any interest income.

"**Consolidated Income Taxes**" means Taxes or other payments, including deferred Taxes, based on income, profits or capital (including, without limitation, withholding Taxes), trade Taxes and franchise Taxes of any of the Parent and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any Governmental Authority.

"**Consolidated Interest Expense**" means, for any period (in each case, determined on the basis of IFRS), the consolidated interest income/expense of the Parent and its Restricted Subsidiaries, whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations;

(2) amortization of debt discount, debt issuance costs and premium;

(3) non-cash interest expense;

(4) commissions, discounts and other fees and charges owed with respect to financings not included in clause (2) above;

(5) the net payments (if any) of Hedging Agreements (excluding amortization of fees and discounts and unrealized gains and losses, costs associated with Hedging Obligations (including termination payments), and foreign currency losses);

(6) dividends on other distributions in respect of all Disqualified Stock of the Parent and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Parent or a subsidiary of the Parent;

(7) the consolidated interest expense that was capitalized during such period;

(8) any interest on Indebtedness of another Person that is guaranteed by the Parent or any of its Restricted Subsidiaries or secured by a Lien on assets of the Parent or any of its Restricted Subsidiaries; and

(9) Pension Items.

"**Consolidated Leverage**" means the sum of the aggregate outstanding Indebtedness of the Parent and its Restricted Subsidiaries (excluding Hedging Obligations except to the extent provided in sub-clause (c) of the sixth paragraph of the covenant described under "*—Certain covenants—Limitation on Indebtedness*"), less cash and Cash Equivalents held by the Parent or any of its Restricted Subsidiaries, as of the date of determination. In respect of any applicable period, the exchange rate used to calculate Consolidated Leverage may, at the option of the Parent, be (i) the weighted average exchange rate for that period used by the Parent to calculate Consolidated EBITDA (as determined by the Parent); or (ii) the relevant prevailing exchange rate at close of business on the last day of that period (as determined by the Parent), *provided* that, where applicable, any amount of Indebtedness will be stated so as to take into account the hedging effect of any currency hedging entered into in respect of or by reference to that Indebtedness.

"**Consolidated Leverage Ratio**" means, as of any date of determination, the ratio of (x) the 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 Parent are available; *provided*, *however*, that for the purposes of calculating Consolidated EBITDA for such period, if, as of such Applicable Test Date or Applicable Reporting Date:

(1) the Parent or any Restricted Subsidiary has closed or disposed of any company, any business or site, or any group of assets constituting an operating unit of a business or site (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 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) the Parent 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 site, or any group of assets constituting an operating unit of a business or site, or made a capital investment for the improvement or refurbishment of a site (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 on a full run-rate basis, as if such Purchase occurred on the first day of such period;

(3) the Parent or any Restricted Subsidiary has made or implemented a Specified Transaction or Group Initiative, including any such Specified Transaction or Group Initiative 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 on a full run-rate basis, including anticipated

synergies and cost savings, as if such Specified Transaction or Group Initiative occurred and was fully implemented on the first day of such period;

(4) any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into the Parent or any of its Restricted Subsidiaries since the beginning of such period) will have made any Sale, Purchase, Specified Transaction or Group Initiative that would have required an adjustment pursuant to clause (1), (2) or (3) above if made by the Parent or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving pro forma effect thereto on a full run-rate basis, including anticipated synergies and cost savings, as if such Sale, Purchase Specified Transaction or Group Initiative occurred and was fully implemented on the first day of such period; and

(5) since the beginning of such period, a transfer of shares of, or other transaction has occurred or is contractually committed with respect to, the Parent or any Restricted Subsidiary, that constitutes an event that is contemplated by the definition of "**Specified Change of Control Event**" (any such transaction, a "**Specified Change of Control Transaction**"), and solely for the purpose of making the determination pursuant to "**Specified Change of Control Event**," Consolidated EBITDA for such period shall be calculated after giving pro forma effect thereto (including anticipated synergies and expenses and cost savings expected to be obtained from the Specified Change of Control Transaction), as if such Specified Change of Control Transaction (including such synergies and expenses and cost savings) had occurred and was fully implemented on the first day of such period.

All Applicable Metrics described in this definition will be calculated as set forth under "—*Financial calculations*."

"**Consolidated Net Income**" means, for any period, the profit/(loss) for the financial period of the Parent 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 profit/(loss) for the financial period of any Person if such Person is not a Restricted Subsidiary, except that the Parent's equity in the profit/(loss) for the financial period of any such Person 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 Parent or a Restricted Subsidiary as a dividend or other distribution or return on investment and (y) only 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, as reasonably determined by an Officer of the Parent (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 sub-clause (c)(i) of the first paragraph of the covenant described under "—*Certain covenants—Limitation on Restricted Payments*," any profit/(loss) for the financial period of any Restricted Subsidiary (other than Guarantors) if such 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 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 Notes and/or the Indenture and the Revolving Facilities Agreement and (c) restrictions not prohibited by the covenant described under "*—Certain covenants—Limitation on restrictions on distributions from Restricted Subsidiaries*"), except that the Parent'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 Parent or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to a Restricted Subsidiary, to the limitation contained in this clause) even if encumbrances or restrictions to make distributions in cash or Cash Equivalents arise or exist by reason of applicable law or applicable rules, regulation or order;

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Parent or any Restricted Subsidiaries (including pursuant to any sale and leaseback transaction or sale and hire purchase transactions) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Board of Directors or an Officer of the Parent);

(4) any extraordinary, exceptional, unusual, one-off, one-time or nonrecurring loss or charge or expense (including for the avoidance of doubt, any tax referable to any payments, dividends or other distributions made or declared intra-group) or any charges or reserves in respect of any restructuring, redundancy or severance expense or other costs related to the Transactions, in each case, as determined in good faith by the Board of Directors or an Officer of the Parent;

(5) at the election of the Parent with respect to any quarterly period, 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 Items 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 or loss from any write-off or forgiveness of Indebtedness, and any provisions in respect of working capital;

(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 Parent or any Restricted Subsidiary owing to the Parent 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 Parent and the Restricted Subsidiaries), as a result of any consummated acquisition, or the amortization or write-off of any amounts thereof;

(12) any goodwill or other intangible asset impairment, charge, amortization, expense or write-off, including debt issuance costs;

(13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding;

(14) Consolidated Income Taxes to the extent in excess of cash payments made in respect of such Consolidated Income Taxes;

(15) consolidated depreciation expense; and

(16) to the extent covered by insurance and actually reimbursed, or, so long as the Parent has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is (a) not denied by the applicable insurer in writing within 180 days and (b) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days), losses with respect to business interruption.

"**Consolidated Senior Secured Leverage Ratio**" means the Consolidated Leverage Ratio, but calculated by excluding all Indebtedness other than Senior Secured Indebtedness.

"**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.

"**COVID Adjustment**" means, in respect of a period of time that includes any date on or prior to December 31, 2021, the amount representing management's estimate of the decline in revenues due to the COVID-19 pandemic, as determined by the Parent in good faith, in an amount not to exceed 10% of Consolidated EBITDA for such period.

"**Credit Facility**" means, with respect to the Parent or any of its Subsidiaries, one or more debt facilities, indentures or other arrangements (including the Revolving Facilities Agreement or commercial paper facilities and overdraft facilities) with banks, other 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, supplemented, 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 banks or other institutions or investors and whether provided under the Indenture 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 or guarantee agreement and any pledge agreement, debenture 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 Parent 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; *provided* that any Default that results solely from the taking of an action that

would have been permitted but for the continuation of a previous Default will be deemed to be cured if such previous Default is cured prior to becoming an Event of Default.

"**Designated Non-Cash Consideration**" means the fair market value of non-cash consideration received by the Parent 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 Parent or any Holding Entity, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Parent or a Subsidiary of the Parent or an employee stock ownership plan or trust established by the Parent or any such Subsidiary for the benefit of their employees to the extent funded by the Parent or such Subsidiary) and (b) that is designated as "**Designated Preference Shares**" pursuant to an Officer's Certificate of the Parent 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.*"

"**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 Parent 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 issuer to repurchase such Capital Stock upon the occurrence of a change of control or asset disposition (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 Contribution**" means the contributions to the Parent of shareholder funds on or about the Acquisition Completion Date as part of the Transactions to consummate the Acquisition.

"**Equity Investors**" means TDR Capital, funds managed or advised by TDR Capital or any of their respective Affiliates, or any co-investment vehicle managed or advised by TDR Capital, funds managed or advised by TDR Capital or any of their respective Affiliates.

"**Equity Offering**" means a sale by the IPO Entity of (x) Capital Stock (other than Disqualified Stock) 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) other securities, the proceeds of which are contributed to the equity (other than through the Equity Contribution, the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or Excluded Amounts) of, or as Subordinated Shareholder Funding to, the IPO Entity 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 Parent and its Restricted Subsidiaries from all Portfolio Assets during the period of 84 months, as calculated by the Portfolio ERC Model, as of the last day of the month most recently ended prior to the date of calculation.

"**euro**" means the single currency of the participating member states of the European Monetary Union.

"**Euro Equivalent**" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Parent or the Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro 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 Board of Directors or an Officer of the Parent) on the date of such determination.

"**Euroclear**" means Euroclear Bank SA/NV or any successor securities clearing agency.

"**European Government Obligations**" means direct obligation of, or obligations guaranteed by, a country that is a member of the European Monetary Union on the Issue Date (other than Greece, Portugal, Italy or Cyprus), and the payment for which such country pledges its full faith and credit.

"**European Union**" means all members of the European Union as of the Issue Date.

"**Excess Equity Overfunding**" means an amount equal to the excess of (i) the Equity Contribution over (ii) the minimum equity amount required to be funded on or about the Acquisition Completion Date in connection with the Acquisition.

"**Exchange**" means The International Stock Exchange and its successors and assigns.

"**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 Parent as capital contributions to the equity (other than the Equity Contribution or through the issuance of Disqualified Stock or Designated Preference Shares or Excluded Amounts) of the Parent after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Parent or any Subsidiary of the Parent for the benefit of its employees to the extent funded by the Parent or any Restricted Subsidiary) of Capital Stock (other than the Equity Contribution, Disqualified Stock or Designated Preference Shares or Excluded Amounts) of the Parent, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Parent.

"**fair market value**" may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Parent setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"**Finco**" means Sherwood Financing 2 Limited and its successors and assigns.

"**Fixed Charge Coverage Ratio**" means, for any period, the ratio of:

(a) Consolidated EBITDA; to

(b) Consolidated Financial Interest Expense;

provided that in calculating the Fixed Charge Coverage Ratio or any element thereof for any period, calculations will be made in good faith by the Board of Directors or an Officer of the Parent (including in the case of Sales, Purchases, Specified Transactions or Group Initiatives, any pro forma synergies and expenses and cost savings, including, without limitation, as a result of, or that would result from any such Sale, Purchase, Specified Transaction or Group Initiative, in the good faith judgment of the Board of Directors or an Officer of the Parent (regardless of whether these synergies and expenses and cost savings could then be reflected in pro forma financial statements to the extent prepared)); *provided*, *further*, without limiting the application of the previous proviso, that for the purposes of calculating Consolidated EBITDA or Consolidated Financial Interest Expense for such period, if, as of such date of determination:

(1) the Parent or any Restricted Subsidiary has made a Sale or if the transaction giving rise to the need to calculate the Fixed Charge Coverage Ratio is such a Sale, (a) 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 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; and (b) the Consolidated Financial Interest Expense for such period shall be reduced by an amount equal to the Consolidated Financial Interest Expense directly attributable to any Indebtedness of the Parent or of any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Parent and the continuing Restricted Subsidiaries in connection with such Sale for such same period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Financial Interest Expense for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Parent and the continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such Sale);

(2) the Parent or any Restricted Subsidiary (by merger or otherwise) has made a Purchase, including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA and Consolidated Financial Interest Expense for such period will be calculated after giving pro forma effect thereto on a full run-rate basis, as if such Purchase occurred on the first day of such period;

(3) the Parent or any Restricted Subsidiary has made or implemented a Specified Transaction or Group Initiative, including any such Specified Transaction or Group Initiative occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA and Consolidated Financial Interest Expense for such period will be calculated after giving pro forma effect thereto on a full run-rate basis, including anticipated synergies and cost savings, as if such Specified Transaction or Group Initiative occurred on the first day of such period; and

(4) any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into the Parent or any of its Restricted Subsidiaries since the beginning of such period) will have made any Sale, Purchase, Specified Transaction or Group Initiative that would have required an adjustment pursuant to clauses (1), (2) or (3) above if made by the Parent or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA and Consolidated Financial Interest Expense for such period will be calculated after giving pro forma effect thereto on a full run-rate basis, as if such Sale, Purchase Specified Transaction or Group Initiative occurred on the first day of such period.

If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness for a period equal to the remaining term of such Indebtedness).

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Financial Interest Expense, Consolidated Income Taxes, Consolidated Interest Expense, Consolidated Leverage Ratio and Consolidated Net Income, to the extent applicable and without duplication, (i) calculations will be as determined in good faith by a responsible financial

or accounting officer of the Parent (including in respect of anticipated synergies and expense and cost reductions, and as though the full effect of synergies and expense and cost reductions were realized on the first day of the relevant period and shall also include the reasonably anticipated full run rate cost savings effect (as calculated in good faith by a responsible financial or chief accounting officer of the Parent) of any Group Initiatives that have been initiated, implemented or are reasonably expected to occur within the next 24 months following the date of such calculation by the Parent or its Restricted Subsidiaries during the relevant period or in connection with an event specified in clauses (1), (2) or (3) above as though such Group Initiative had been fully implemented on the first day of the relevant period); (ii) 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, (iii) calculations shall also give pro forma effect to any Specified Transaction that has occurred since the beginning of such period but which has not yet been fully reflected in the relevant period (as determined and calculated by a responsible financial or accounting officer of the Parent), (iv) calculations shall exclude any non-recurring costs and other expenses arising directly or indirectly as a consequence of any Sale or Purchase or Specified Transaction and/or the implementation of any Group Initiative and (v) "*determined on a consolidated basis on the basis of IFRS*," "*determined on the basis of IFRS*" and similar provisions shall at the election of the Parent allow for calculation to be made on the basis of presentation of the financial statements provided pursuant to the terms of the covenant described under "*—Certain covenants—Reports*."

"**Gilt Rate**" means, with respect to any date of a redemption notice, the yield to maturity as of the date of such redemption notice of UK Government Obligations with a fixed maturity (as compiled by the debt management office statistics that have become publicly available at least two Business Days (but not more than five Business Days) in London prior to the date of such redemption notice (or, if such statistics are no longer published, any publicly available source of similar market data)) most nearly equal to the period from the date of such redemption notice to November 15, 2023; *provided, however*, that if the period from the date of such redemption notice to November 15, 2023 is less than one year, the weekly average yield on actually traded UK Government Obligations denominated in pound sterling adjusted to a fixed maturity of one year shall be used.

"**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 and any supra-national bodies such as the European Union or the European Central Bank.

"**Group**" means the Parent and its Restricted Subsidiaries (or the IPO Pushdown Entity and its Restricted Subsidiaries from the Pushdown Date).

"**Group Initiative**" means any restructuring, changes in operating model, operating expense reduction, operating improvement, cost savings programs, procurement initiatives or, in each case, other similar initiative.

"**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 Parent and any Restricted Subsidiary that Guarantees the Notes.

"**Hedging Agreement**" means any Interest Rate Agreement, Currency Agreement, Commodity Hedging Agreement or other agreement entered into by the Parent or any of its Subsidiaries to offset, balance or manage risks related to any businesses, services or activities engaged in by the Parent or any of its Subsidiaries or any Associates in the ordinary course.

"**Hedging Obligations**" of any Person means the obligations of such Person pursuant to any 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 or Clearstream.

"**Holding Company**" means, in relation to any Person, any Person of which it is a Subsidiary.

"**Holding Entity**" means any Person of which the Parent at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Holding Entity.

"**IFRS**" means the International Financial Reporting Standards (formerly, International Accounting Standards) endorsed from time to time by the European Union or the United Kingdom or any variation thereof with which the Parent or its Restricted Subsidiaries are, or may be, required to comply; *provided* that at any date after the Issue Date, the Parent may make an irrevocable election to establish that "IFRS" shall (except for the purposes of the covenant described under "*—Certain covenants—Reports*") mean IFRS as in effect on a date that is on or prior to the date of such election. Except as otherwise will be set forth in the Indenture, all ratios and calculations based on IFRS contained in the Indenture shall be computed in accordance with IFRS.

"**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 shall only 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 (other than a performance or advance payment bond or similar instrument), 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 except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of Incurrence, in each case only to the extent issued by a bank or financial institution and *provided* that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto (or if the relevant supplier customarily allows a period for payment, if later the date 180 days after the expiry of that period), for the avoidance of doubt excluding where the payment deferral results from the delayed or non-satisfaction of contract terms by the supplier, from a dispute carried out in good faith or from contract terms establishing payment schedules tied to total or partial contract completion and/or to the results of operational testing procedures and excluding earn-outs and other contingent consideration arrangements);

(5) Capitalized Lease Obligations of such Person;

(6) 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, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) 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 Parent) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Hedging 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 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 (3) 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 (excluding any notes thereto) of such Person in accordance with IFRS and (b) the principal amount of the Indebtedness, in the case of any other Indebtedness. Except as provided under paragraphs (7) and (8) above, "Indebtedness" of a Person shall not include any Indebtedness of any other Person, regardless of whether it would be deemed under IFRS to be consolidated with the Indebtedness of the first Person.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(i) Subordinated Shareholder Funding;

(ii) any lease, concession or license of property (or guarantee thereof) of a type which would have been previously categorized as an operating lease prior to the adoption of IFRS 16 or any deposit made in relation thereto;

(iii) any asset retirement obligations;

(iv) any prepayments or deposits or grants received from clients or customers or any Governmental Authority, in each case, in the ordinary course of business;

(v) any income Tax or other payables or obligations under any Tax Sharing Agreement or obligations under any profit sharing agreement;

(vi) 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;

(vii) Contingent Obligations Incurred in the ordinary course of business and unpaid purchase price for Underlying Portfolio Assets, acquired either directly or as a result of any Rights to Collect or any Rights to Participate;

(viii) trade credit on normal commercial terms;

(ix) in connection with the purchase by the Parent 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;

(x) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations or any bonds in relation thereto, Pension Items or similar claims, obligations or contributions or social security or wage Taxes;

(xi) obligations of any Person for the reimbursements of any obligor in relation to any confirming services, reverse factoring services and commercial discount lines in the ordinary course of business;

(xii) obligations of any Person for the reimbursement of any obligor on any letter of credit, banker's acceptance, performance bond, advance payment bonds, surety bonds, completion or performance guarantees or similar transactions, to the extent that such letters, bonds, guarantees or similar transactions are not drawn upon or, if and to the extent drawn upon, are honored in accordance with their terms and if to be reimbursed, are reimbursed no later than the fifth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit or bond; or

(xiii) 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 Parent or any other Restricted Subsidiary or any of their assets.

For the avoidance of doubt, where the amount of Indebtedness falls to be calculated or where the existence (or otherwise) of any Indebtedness is to be established, unless the context requires otherwise (as determined by the Parent in good faith), indebtedness owed by the Parent or any Restricted Subsidiary to the Parent or any other Restricted Subsidiary shall not be taken into account.

"**Independent Financial Advisor**" means an investment banking or accounting firm or any third party appraiser; *provided*, *however*, that such firm or appraiser is not an Affiliate of the Parent.

"**Initial Public Offering**" means an Equity Offering of common stock or other common equity interests of 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 to be acceded to by the Trustee on behalf of the Holders on or about the Issue Date among, *inter alios*, the Issuer, Midco, and the Security Agent, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part 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, and excluding any debt or extension of credit represented by a bank deposit (other than a time deposit) and any loans or credit arising as a result of the operation of cash pooling, net balance or similar arrangements) 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 Parent 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 Parent 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 for in the second paragraph and the final paragraph of the covenant described under "*—Certain covenants—Limitation on Restricted Payments.*"

For purposes of "*—Certain covenants—Limitation on Restricted Payments*":

(1) "**Investment**" will include the portion (proportionate to the Parent'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 Parent will be deemed to continue to have a permanent "**Investment**" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Parent's "**Investment**" in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Parent's equity interest in such Subsidiary) of the fair market value of the net assets 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 Parent.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Parent'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 a Permissible Jurisdiction or any agency or instrumentality thereof (other than Cash Equivalents);

(2) 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 Parent and its Subsidiaries; and

(3) investments in any fund that invests exclusively in investments of the type described in clauses (1) and (2) 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 rating by either 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.

"**IPO Entity**" means the Parent, any Holding Entity or any Successor Company of the Parent or any Holding Entity.

"**IPO Event**" means the occurrence of an Initial Public Offering or a Listing.

"**Issue Date**" means the date of the first issuance of Notes under the Indenture.

"**Issuer**" means Sherwood Financing plc and its successors and assigns.

"**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).

"**Listing**" means a listing of all or any part of the share capital of the Parent or any Subsidiary of the Parent on any recognized investment exchange (as that term is used in the Financial Services and Markets Act 2000) or any other sale or issue by way of flotation or public offering in relation to the Parent or any such Subsidiary of the Parent in any jurisdiction or country.

"**Listing Agent**" means the agent for the Issuer in respect of the listing of the Notes on the Official List of the Exchange as the Issuer may appoint.

"**Management Advances**" means any loans, advances or other payments made to, or Guarantees with respect to loans, advances or other payments made to, any Management Investors:

(1) (i) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (ii) for purposes of funding, directly or indirectly, including through trusts or holding entities, any such person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Parent, its Subsidiaries or any Holding Entity;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) not exceeding the greater of £3 million and 1% of Consolidated EBITDA in the aggregate outstanding at any time.

"**Management Investors**" means the current, former or future officers, directors, employees and other members of the management of or consultants to any Holding Entity, the Parent 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 Parent, any Restricted Subsidiary or any Holding Entity.

"**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 (or if greater, the initial trading price of such shares on the date of the pricing of the IPO).

"**MEP**" means any management equity plan, employee benefit scheme, incentive scheme or other similar or equivalent arrangement implemented or to be implemented.

"**MEP Payment**" means any payment or transaction which is, or which is to be made, entered into or used directly or indirectly (or to facilitate any such step or payment):

(1) to make payment to a member of any MEP (including payments to members leaving any MEP) or any trust or other person in respect of any MEP, incentive scheme or similar arrangement or pay any costs and expenses properly incurred in the

establishing and maintaining of any MEP, incentive scheme or similar arrangement or to facilitate any step or payment relating to any MEP; and/or

(2) for repayment or refinancing of amounts outstanding under any loan made in connection with an MEP, incentive scheme or similar arrangement or capitalization of such loans.

"**Midco**" means Sherwood Midco Limited and its successors and assigns.

"**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 and any Tax Sharing Agreements), 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 Holding Entity, the Parent 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 Parent 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 credits or deductions and any Tax Sharing Agreements).

"**Note Documents**" means the Notes (including Additional Notes), the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Transaction Security Documents.

"**Offering Memorandum**" means an offering memorandum dated October 27, 2021 relating to the offering of the Notes.

"**Officer**" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer 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 reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Parent or its Subsidiaries.

"**Parent**" means Sherwood Parentco Limited and its successors and assigns.

"**Parent Expenses**" means:

(1) costs (including all professional fees and expenses) Incurred by any Holding Entity 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 Parent 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 Holding Entity 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 Parent and its Subsidiaries;

(3) obligations of any Holding Entity in respect of director and officer insurance (including premiums therefor) to the extent relating to the Parent and its Subsidiaries;

(4) fees and expenses payable by any Holding Entity, or the return of Excess Equity Overfunding to any Holding Entity;

(5) (a) general corporate overhead expenses, including professional fees and expenses and other operational expenses of any Holding Entity or any Equity Investor or any of its Affiliates related to the ownership or operation of the business of the Parent or any of its Restricted Subsidiaries and Equity Investor or any of its Affiliates (including, without limitation, accounting, legal, corporate reporting, and administrative expenses as well as payments made pursuant to operating partner arrangements or secondment, employment or similar agreements entered into between the Parent and/or any of its Restricted Subsidiaries and/or any Holding Entity and any Equity Investor or any of its Affiliates or any employee thereof) or (b) costs and expenses with respect to any litigation or other dispute relating to the Transactions or the ownership, directly or indirectly, of the Parent by any Holding Entity;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Parent and its Subsidiaries in an amount not to exceed the greater of £3 million and 1% of Consolidated EBITDA in any fiscal year;

(7) expenses Incurred by any Holding Entity in connection with any Public Offering, IPO Event 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 Parent 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 Holding Entity shall cause the amount of such expenses to be repaid to the Parent or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed; and

(8) amounts to enable a Holding Entity of the Parent (or any other company which acts as the host of any MEP, incentive scheme or similar arrangement) to:

(i) pay Taxes, duties or similar amounts;

(ii) pay fees, expenses and other costs incurred in acting as, or maintaining its existence as, a holding company of the Parent and its Subsidiaries and/or host of any MEP, incentive scheme or similar arrangement or arising by operation of law or in the ordinary course of administration of its business as a holding company of the Parent and its Subsidiaries (including remuneration payable to employees, directors and officers); and/or

(iii) meet substance requirements for Tax purposes.

"**Pari Passu Indebtedness**" means Indebtedness of the Issuer or any Guarantor if such Indebtedness or Guarantee, as the case may be, ranks equally in right of payment to the Notes or the Note Guarantees, as the case may be, and which, in each case, is secured by Liens on the

Collateral which Liens (or recoveries upon enforcement from such Liens) rank equally with those of the 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.

"**Pension Items**" means any costs, charges or liabilities, including contributions, made in respect of any pension funds or post-retirement benefit schemes, other than administration costs.

"**Permissible Jurisdiction**" means any state, commonwealth or territory of the United States or the District of Columbia, Canada or any province of Canada, Japan, any member state of the European Union as of the Issue date, United Kingdom, Switzerland, Norway, the Channel Islands or any political subdivision, taxing authority, agency or instrumentality of any such state, commonwealth, territory, union, country or member state and also, for the purposes of the definitions of "**Cash Equivalents**" and "**Temporary Cash Investments**" only, any jurisdiction in which the Parent or a Restricted Subsidiary does business as of the Issue Date.

"**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 Parent 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 that are (i) "**Permitted Liens**" or (ii) Liens on bank accounts granted to cash management banks securing cash management obligations;

(B) Liens on the Collateral to secure Indebtedness of the Parent 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 (4)(c) (if the original Indebtedness was so secured), (5)(i) (covering only the shares and assets of the acquired Person the Indebtedness of which is so secured), (5)(ii), (6), (7), (11), (12) and (13) of the second paragraph of the covenant described under "*—Certain covenants—Limitation on Indebtedness*;" *provided*, *however*, in the case of Liens on Collateral to secure the Indebtedness of the Parent or a Restricted Subsidiary that is permitted to be Incurred under clause (5)(i) or (5)(ii) of the second paragraph of the covenant described under "*—Certain covenants—Limitation on Indebtedness*," after giving pro forma effect to such transaction, the Consolidated Senior Secured Leverage Ratio of the Parent would have been less than 4.25 to 1.0 or no higher than it was immediately prior to giving effect to the transaction;

(C) Liens on the Collateral securing Indebtedness Incurred under the first paragraph of the covenant described under "*—Certain covenants—Limitation on Indebtedness*," *provided* that, in the case of this clause (C), after giving pro forma effect to such

Incurrence and the use of proceeds therefrom, the Consolidated Senior Secured Leverage Ratio of the Parent would have been less than 4.25 to 1.0; or

(D) Liens on Collateral securing Refinancing Indebtedness in respect of any Indebtedness secured pursuant to the foregoing clauses (A), (B) and (C) and this clause (D);

provided that any such Liens securing Indebtedness pursuant to (x) the foregoing paragraphs (B), (C) or (D) rank equal or junior to Liens on the Collateral securing the Notes after giving effect to any recovery of proceeds under any intercreditor or priority agreement (except that a Lien in favor of Indebtedness Incurred under clauses (1), (6) and (13) of the second paragraph of the covenant described under "*—Certain covenants—Limitation on Indebtedness*" may have super priority to the Lenders, as provided in the Intercreditor Agreement subject always to the terms of the Indenture), and (y) the foregoing paragraph (D) of this definition, which constitutes Refinancing Indebtedness in respect of Indebtedness Incurred under the first paragraph of the covenant described under "*—Certain covenants—Limitation on Indebtedness*" or sub-clause (5)(i) of the second paragraph of the covenant described under "*—Certain covenants—Limitation on Indebtedness*" or sub-clause (5)(ii) of the second paragraph of the covenant described under "*—Certain covenants—Limitation on Indebtedness*," rank equal or junior to the Liens on Collateral securing such Indebtedness being refinanced after giving effect to any recovery of proceeds under any intercreditor or priority agreement; and

(E) Liens on the Collateral that secure Indebtedness on a basis junior to the Notes; *provided* that the holders of such Indebtedness (or their representative) accede to the Intercreditor Agreement or an Additional Intercreditor Agreement.

To the extent that Indebtedness relating to an instrument or agreement is permitted to be secured by a Permitted Collateral Lien, other associated obligations under such instrument or agreement not themselves constituting Indebtedness may also be secured by such Permitted Collateral Lien.

"**Permitted Holders**" means, collectively, (1) the Equity Investors and any Affiliate or Related Person of any of them, or any co-investor investing with the Equity Investor (provided that any direct or indirect voting rights of any such co-investor in respect of the Parent and its Restricted Subsidiaries are, directly or indirectly, exercisable by the Equity Investor), (2) any one or more Persons whose beneficial ownership constitutes or results in a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture, (3) Senior Management, (4) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Holding Entity or the Parent, acting in such capacity and (5) any "group" (as such term is defined under section 13(d)(3) of the Exchange Act) of which a Permitted Holder (without giving effect to this sub-clause (5)) is a member and where such Permitted Holder is the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date) of more than 50% of the Capital Stock of which such group is a "beneficial owner" (as so defined).

"**Permitted Investment**" means (in each case, by the Parent or any of its Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Parent or (b) a Person (including the Capital Stock of any such Person) that is engaged in any Similar Business and 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, or is liquidated into the Parent or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Parent or any Restricted Subsidiary created or acquired in the ordinary course of business, including without limitation deferred receivables representing work in progress created in the ordinary course of business, and Investments in inventory, Rights to Collect and Rights to Participate and Underlying Portfolio Assets;

(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 and MEP Payments;

(7) Investments received in settlement of debts created in the ordinary course of business and owing to the Parent 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 contractual commitments in existence on, the Issue Date (or, in the case of any Person which becomes a Restricted Subsidiary after the Issue Date, any Investments in existence on, or to which that Person is contractually committed as at, the date on which it becomes a Restricted Subsidiary);

(10) Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "*—Certain covenants—Limitation on Indebtedness*;"

(11) Investments, the outstanding principal amount of which, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding (measured as of the time of original Investment without giving effect to appreciation or to accretion or capitalization of interest), in an aggregate amount at the time of such Investment not to exceed the greater of £80 million and 27.5% of Consolidated EBITDA; *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) Investments in negotiable instruments held for collection and pledges or deposits with respect to workers' compensation, 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, directly or indirectly, using Capital Stock of the Parent (other than Disqualified Stock) or Subordinated Shareholder Funding or Capital Stock of any Holding Entity 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), (9) and (12) of that paragraph);

(15) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or leases or agreements in respect of vehicles, information technology and other electronic equipment and point of sale equipment or network or related (or similar or replacement) assets or licenses or leases of intellectual property, in each case, in the ordinary course of business;

(16) guarantees, keepwells and similar arrangements not prohibited by the covenant described under "*—Certain covenants—Limitation on Indebtedness*" (including payments made pursuant to or to fund any amount that may be required by any such arrangement);

(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 million and 7.5% of Consolidated EBITDA; and

(18) Investments in the Notes and pursuant to the Proceeds Loan Agreement.

"**Permitted Liens**" means, with respect to any Person:

(1) Liens on assets or property of a Restricted Subsidiary that is not the Issuer or a Guarantor securing Indebtedness of any Restricted Subsidiary that is not the Issuer or 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;

(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 such Person in the ordinary course of its business;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements and any Liens arising in connection with any swapping of logistics capabilities), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, utility agreements, 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 Parent 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 (taken as a whole) or materially impair their use in the operation of the business of the Parent and its Restricted Subsidiaries (taken as a whole);

(7) Liens securing Hedging Obligations permitted under the Indenture, or over assets or property of any Restricted Subsidiary which is not required to give a Guarantee pursuant to the Agreed Security Principles and which Lien is in favor of obligations 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 Parent or any Restricted Subsidiary for the purpose of securing Indebtedness Incurred to finance or refinance 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; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture and (b) any such Lien may not extend to any assets or property of the Parent 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 or proceeds of such property (including rents), as well as the Capital Stock or assets of any special purpose vehicle that holds no material assets (other than any of the foregoing or those associated with such assets, the financing of such assets, or their deployment);

(11) Liens arising by virtue of any statutory or common law provisions or standard terms and procedures relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts, securities accounts or other funds maintained with a depositary or financial institution or clearing systems (including Euroclear or Clearstream);

(12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Parent 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 Parent 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 Parent 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 are limited to all or part of the same property, other assets or stock (plus improvements, accessions,

proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(15) Liens on assets or property of the Parent or any Restricted Subsidiary securing Indebtedness or other obligations of the Parent or such Restricted Subsidiary owing to the Parent or a Restricted Subsidiary and Liens in favor of the Parent or any Restricted Subsidiary;

(16) 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 Parent 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 Lien, encumbrance or other restriction (including put and call arrangements) with respect to Capital Stock of, or other ownership interests in, any joint venture, minority interest arrangement or similar investment or arrangement (and/or related assets, including shares or other ownership interests in any special purpose vehicle holding any such assets) pursuant to any joint venture, minority interest or other 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 cash accounts securing Indebtedness Incurred under clause (10)(c) of the second paragraph of the covenant described under "*—Certain covenants—Limitation on Indebtedness*;"

(22) (i) Liens on escrowed proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or 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 and (ii) Liens

on cash or government securities set aside for the purpose of defeasing, repaying, repurchasing or retiring Indebtedness;

(23) 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 pursuant to any derivative or hedging transaction, or liens over cash accounts securing cash pooling arrangements;

(24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods or otherwise in connection with any leasing (including sale and leaseback transactions and sale and hire purchase transactions), vendor financing or similar arrangements;

(25) Liens; *provided* that the aggregate principal amount of Indebtedness (excluding capitalized interest) secured by such Liens in aggregate does not at any one time exceed the greater of £18 million and 10% of Consolidated EBITDA at any one time outstanding;

(26) Permitted Collateral Liens;

(27) (i) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary, (ii) 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, (iii) Liens on Rights to Collect, performing accounts, sub-performing accounts, charged-off accounts, cash and bank accounts, loans, receivables, mortgages, debentures, claims or other similar assets or instruments held on trust for third parties; and (iv) Liens on Trust Management Assets, provided such liens do not secure any Indebtedness of the Parent or any Restricted Subsidiary other than a Trust Management SPV;

(28) [Reserved];

(29) Liens securing Indebtedness permitted to be Incurred pursuant to clause (1) of the second paragraph of the covenant described under "*—Certain covenants—Limitation on Indebtedness*;"

(30) any cash collateral arrangement securing the obligations of an ancillary lender, landlord, hedging counterparty or regulator in respect of ancillary facilities, leases, Hedging Obligations or capital, surety or other guarantee requirements under applicable regulations of the Parent or its Restricted Subsidiaries;

(31) any Liens granted in favor of creditors so as to implement a Permitted Reorganization; and

(32) any Liens arising under or pursuant to the general terms and conditions (*algemene bankvoorwaarden*) of any member of the Dutch Bankers' Association

(*Nederlandse Vereniging van Banken*) and/or any similar term applied by a financial institution in the Netherlands pursuant to its general terms and conditions.

"**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 4(e) of the second paragraph of the ''*—Limitation on Indebtedness*'' covenant and then outstanding, 20% of the ERC of the Parent 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 (aa)(ii) 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 Parent or any other Restricted Subsidiary, (ii) is recourse to or obligates the Parent or any other Restricted Subsidiary in any way, or (iii) subjects any property or asset of the Parent or any other Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof,

(2) neither the Parent 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 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 Parent 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 Restricted Subsidiary which holds no other material assets.

"**Permitted Reorganization**" means:

(1) an amalgamation, merger, transfer, consolidation, liquidation, dissolution or corporate reconstruction (each a "**Reorganization**") on a solvent basis of a member of the Group to the extent permitted under the Indenture where:

(a) all of the business and assets of that member of the Group remain within the Group (and if that member of the Group was the Issuer or a Guarantor immediately prior to such reorganization being implemented, all of the

business and assets of that member are retained by the Issuer or one or more Guarantors);

(b) if it or its assets or the shares in it were subject to the Transaction Security Documents immediately prior to such Reorganization, the Security Agent will enjoy substantially the same or equivalent security over the same assets or, as the case may be, over it or the shares in it (or in each case over the shares of its successor) or, where a member of the Group is being dissolved or liquidated, its assets (after payment of creditors) are passed up to its Holding Company (subject to such Holding Company granting the same or equivalent security over the relevant assets in favor of the Security Agent); and

(c) in the case of an amalgamation, merger or corporate reconstruction, if such member of the Group is the Issuer or a Guarantor, the surviving entity is or becomes the Issuer or a Guarantor to at least the same extent as such first mentioned the Issuer or a Guarantor immediately prior to the said amalgamation, merger or corporate reconstruction; or

(2) any Reorganization permitted under the Indenture.

"**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 Parent 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 Parent, its servicers, financial partners or investment partners use to calculate the value of its ERC and those of its Subsidiaries, consistently with its most recent audited financial statements as of such date of determination.

"**Preferred Stock**," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"**Proceeds Loan**" means any loan granted pursuant to the Proceeds Loan Agreement on-lending the proceeds of the Notes, and all loans directly or indirectly replacing or refinancing such loans or a portion thereof.

"**Proceeds Loan Agreement**" means the loan agreement to be dated on the Issue Date between the Issuer, as lender, and Finco, as borrower, pursuant to which the Proceeds Loans will be made to Finco.

"**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 Parent, 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) at least 20% of the total issued and outstanding ordinary shares or common equity of the IPO Entity has been distributed to investors other than the Permitted Holders or any other direct or indirect shareholders of the Parent as of the Issue Date.

"**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.

"**Re-Registration Date**" means the date on which Target is re-registered as a private limited company.

"**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 (or unutilized commitment in respect of Indebtedness that could have otherwise been incurred in compliance with the Indenture) existing on the Issue Date or Incurred in compliance with the Indenture (including Indebtedness of the Parent that refinances Indebtedness (or unutilized commitment in respect of Indebtedness) of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness (or unutilized commitment in respect of Indebtedness) of the Parent or a 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, of 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 (or unutilized commitment in respect of 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 in right of payment to the Notes or the Note Guarantees, such Refinancing Indebtedness is subordinated to the Notes or the Note Guarantees 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 Parent or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary and *provided*, *further*, that the provisions of clause (3) above would not operate to preclude the refinancing of indebtedness with Indebtedness that is secured with a super priority status (or other preferential security status) if such security is otherwise permitted pursuant to the Indenture.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"**Related Person**" with respect to any Equity Investor, means:

(1) any controlling equity holder or Subsidiary of such Person;

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof;

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) in the case of the Equity Investors any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"**Related Taxes**" means:

(1) any Taxes including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other

than (x) Taxes measured by income and (y) withholding Taxes), required to be paid (*provided* such Taxes are in fact paid) by any Holding Entity 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 Parent or any of the Parent's Subsidiaries);

(b) issuing or holding Subordinated Shareholder Funding;

(c) being a Holding Entity, directly or indirectly, of the Parent or any of the Parent's Subsidiaries;

(d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Parent or any of the Parent's Subsidiaries; or

(e) having made any payment in respect to any of the items for which the Parent is permitted to make payments to any Holding Entity pursuant to "*—Certain covenants—Limitation on Restricted Payments*;" or

(2) if and for so long as the Parent is a member of a group filing a consolidated or combined tax return with any Holding Entity or party to a Tax Sharing Agreement, any consolidated or combined Taxes measured by income for which such Holding Entity is liable up to an amount not to exceed, with respect to such Taxes, the amount of any such Taxes that the Parent and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Parent 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 Parent 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 Parent or its Restricted Subsidiaries.

"**Restricted Investment**" means any Investment other than a Permitted Investment.

"**Restricted Subsidiary**" means any Subsidiary of the Parent other than an Unrestricted Subsidiary.

"**Reversion Date**" means, after the Notes have achieved Investment Grade Status, the date, if any, that such Notes shall cease to have such Investment Grade Status.

"**Revolving Facilities**" means one or more facilities made available under the Revolving Facilities Agreement.

"**Revolving Facilities Agreement**" means the revolving facilities agreement entered into among, *inter alios*, the Parent and the Security Agent, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

"**Rights to Collect**" means the Parent'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 Parent or one of its Restricted Subsidiaries and such Person is unable or unwilling to dispose of the relevant Underlying Portfolio Asset to the Parent or a Restricted Subsidiary.

"**Rights to Participate**" means the rights to receive amounts generated by, or otherwise related to, Underlying Portfolio Assets owned by Persons other than the Parent or one of its Restricted Subsidiaries, which amounts are payable to the Parent or a Restricted Subsidiary under instruments, participations or sub-participations, total return or pass-through contracts, partnership, management fee, carry or equity interests, or any other similar arrangements.

"**S&P**" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"**SEC**" means the U.S. Securities and Exchange Commission.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"**Security Agent**" means GLAS Trust Corporation Limited acting as security agent pursuant to the Intercreditor Agreement or such successor Security Agent or any delegate thereof as may be appointed thereunder or any such security agent, delegate or successor thereof pursuant to an Additional Intercreditor Agreement.

"**Senior Indebtedness**" means any Indebtedness of the Issuer or any Guarantor that ranks at least *pari passu* in right of payment with the Notes and is not secured by a Lien.

"**Senior Management**" means the officers, directors, and other current or former members of senior management of the Parent or any of its Subsidiaries, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Parent or any Holding Entity.

"**Senior Secured Indebtedness**" means, with respect to any Person as of any date of determination, any Indebtedness that is Incurred under the first or second paragraphs of the covenant described under "*—Certain covenants—Limitation on Indebtedness*," in each case, secured by a Lien on the Collateral that is at least *pari passu* with the Liens securing the Notes after giving effect to any recovery of proceeds under any intercreditor or priority agreement.

"**Significant Subsidiary**" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Parent's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the Total Assets of the Parent and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Parent'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 Parent and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Parent'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 Parent and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"**Similar Business**" means (a) any businesses, services or activities engaged in by the Parent or any of its Subsidiaries or any Associates on the Issue Date and (b) any businesses, services and activities engaged in by the Parent 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.

"**Specified Change of Control Event**" means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; *provided* that the Consolidated Leverage Ratio would have been less than 3.5 to 1.0 immediately prior to the occurrence of such event and immediately thereafter and giving pro forma effect thereto. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Indenture after the Issue Date.

"**Specified Transaction**" means, with respect to any period, any Investment, capital expenditure, disposal, Incurrence of Indebtedness, refinancing, prepayment or repayment of Indebtedness, Restricted Payment, Subsidiary designation, restructuring, other strategic initiative or other action (including, for the avoidance of doubt, the purchase of new loan portfolios, the entry into new servicing contracts, the entry into any new contractual arrangement, and the closing of any fund) of the Parent or any Restricted Subsidiary (including for this purpose any Person that has become a Restricted Subsidiary or was merged or otherwise combined with or into the Parent or any Restricted Subsidiary), in each case, that is elected by the Parent to be treated as such.

"**Stated Maturity**" means, with respect to any security, loan or financial instrument the date specified in such security, loan or financial instrument as the fixed date on which the payment of principal of such security, loan or financial instrument 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 pound sterling, at any time of determination thereof by the Parent or the Trustee, the amount of pound sterling obtained by converting such currency other than pound sterling involved in such computation into pound sterling at the spot rate for the purchase of pound sterling with the applicable currency other than pound 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 Board of Directors or an Officer of the Parent) 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 and any Guarantee pursuant to a written agreement (which, for the avoidance of doubt, will not include the Notes or any Pari Passu Indebtedness and, for the purposes of the Indenture, Indebtedness shall not be considered subordinated in right of payment solely because it is unsecured, or secured on a junior basis to or entitled to proceeds from security enforcement after, other Indebtedness).

"**Subordinated Shareholder Funding**" means, collectively, (i) the Parent's existing preference shares and shareholder loans as of the Issue Date, (ii) any funds provided to the Parent by any Holding Entity, any Affiliate of any Holding Entity or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by a Holding Entity or a Permitted Holder, or (iii) any investment by a Management Investor pursuant to an MEP, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, 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, in each case:

(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 Parent or any funding meeting the requirements of this definition) or the making of any such payment prior to the date that is six months following 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 Parent 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.

"**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 (but in each case, unless the Parent elects otherwise, disregarding ownership or voting interests consisting of Rights to Collect or Rights to Participate); 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 (but in each case, unless the Parent elects otherwise, disregarding ownership or voting interests consisting of Rights to Collect or Rights to Participate); and

(b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"**Successor Company**" means, with respect to any Person (other than a Holding Entity), the resulting, surviving or transferee Person and, with respect to a Holding Entity, means a Successor Holding Company.

"**Successor Holding Company**" means, with respect to a Holding Entity, any other Person of which more than 50% of the total voting power of the Voting Stock, at the time such Holding Entity becomes a Subsidiary of such other Person, is "beneficially owned" (as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date)) by one or more other Persons that, immediately prior to such Holding Entity becoming a Subsidiary of such other Person, "beneficially owned" more than 50% of the total voting power of the Voting Stock of such Holding Entity.

"**Target**" means Arrow Global Group plc, a public limited company incorporated in England and Wales with company number 08649661.

"**Target Group**" means the Target and its Subsidiaries from time to time.

"**TARGET2**" means the second-generation trans-European automated real time gross settlement express transfer payment system.

"**Tax Sharing Agreement**" means any fiscal unity arising under relevant Tax laws, and any Tax sharing or profit and loss pooling, tax loss transfer or other similar or equivalent agreement with customary or arm's-length terms entered into with any Holding Entity or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

"**Taxes**" means all present and future taxes, levies, imposts, deductions, charges, duties, assessments and withholdings and any charges of a similar nature (including interest, penalties and other liabilities with respect thereto) that are imposed or levied by any government or other taxing authority.

"**TDR Capital**" means TDR Capital LLP and its successors and assigns.

"**Temporary Cash Investments**" means any of the following:

(1) any investment in

(a) direct obligations of, or obligations Guaranteed by, (i) any Permissible Jurisdiction, (ii) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Parent or a Restricted Subsidiary in that country with such funds, or (iii) or 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, France or the United Kingdom 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 (or, if later, after the date of calculation under the Indenture) issued by:

(a) any lender under the Revolving Facilities Agreement,

(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 Parent 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 Permissible Jurisdiction or any agency or instrumentality thereof, 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 any Permissible Jurisdiction, in each case, 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 Parent and its Restricted Subsidiaries in accordance with IFRS as shown on the most recent balance sheet of such Person.

"**Transaction Security Documents**" means the security agreements, security interest agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Indenture.

"**Transactions**" means the Acquisition and the transactions associated with it, the payment of consideration for the Acquisition, the entry into the documents associated with the Acquisition, the entry into the financing arrangements and the funding thereof, the making of the Equity Contribution, the entry into the Indenture, and the issuance of the Notes and the application of the proceeds thereof, the entering into the Proceeds Loan Agreement and the granting of the Proceeds Loans thereunder, the entry into associated documentation in each case, including the Transaction Security Documents, and the incurrence and payment of fees and expenses associated with any of the foregoing.

"**Trust Management Assets**" means Rights to Collect, Rights to Participate or Underlying Portfolio Assets, in each case held by a Trust Management SPV on trust for a beneficiary which is not the Parent 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.

"**UK Government Obligations**" means direct obligations of, or obligations guaranteed by, the United Kingdom, and the payment for which the United Kingdom pledges its full faith and credit.

"**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) ACMH, and any Subsidiary of the Parent (other than the Issuer and its Successor Company) that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Parent in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Parent may designate any Subsidiary of the Parent (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, but excluding the Issuer and its Successor Company), 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 Parent or any other Subsidiary of the Parent 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 Parent in such Subsidiary complies with "*—Certain covenants—Limitation on Restricted Payments.*"

In the event of any designation by the Board of Directors of the parent of a Subsidiary as an Unrestricted Subsidiary, the Parent shall deliver to the Trustee an Officer's Certificate certifying that such designation complies with the applicable foregoing conditions.

The Board of Directors of the Parent 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 Parent could Incur at least £1.00 of additional Indebtedness under the first paragraph of the covenant described under "*—Certain covenants—Limitation on Indebtedness*" or (y) the Fixed Charge Coverage Ratio for the Parent and its Restricted Subsidiaries for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date of such designation would not be less 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 of the Parent shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors of the Parent giving effect to such designation or an Officer's Certificate certifying that such designation complied with or satisfied 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.

BOOK-ENTRY; DELIVERY AND FORM

General

The Notes sold to QIBs that are also Qualified Purchasers in reliance on Rule 144A under the U.S. Securities Act will initially be represented by global notes in registered form without interest coupons attached (the "**Rule 144A Global Notes**"). The Notes sold outside the United States in reliance on Regulation S under the U.S. Securities Act will initially be represented by global notes in registered form without interest coupons attached (the "**Regulation S Global Notes**" and, together with the Rule 144A Global Notes, the "**Global Notes**"). The Global Notes will be deposited, on the Issue Date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Except as set forth below, the Notes will be issued in registered global form in minimum denominations of €100,000 and integral multiples of €1,000 thereof (in the case of the Euro Notes) and in minimum denominations of £100,000 and integral multiples of £1,000 thereof (in the case of the Sterling Notes).

Ownership of interests in the Rule 144A Global Notes ("**Rule 144A Book-Entry Interests**") and in the Regulation S Global Notes (the "**Regulation S Book-Entry Interests**" and, together with the Rule 144A Book-Entry Interests, the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, Book-Entry Interests will not be held in definitive certificated form.

Book-Entry Interests will be shown on, and transfers thereof will be done only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or holders of the Notes for any purpose.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream, as applicable (or its nominee), will be considered the sole holders of the Global Notes for all purposes under the Indenture. In addition, participants must rely on the procedures of Euroclear and/or Clearstream, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders under the Indenture.

None of the Issuer, the Guarantors, the Trustee, the Paying Agent, the Transfer Agent, the Registrar and any of its or their respective agents 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 (as applicable) 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 (in the case of the Euro Notes) and £100,000 principal amount (in the case of the Sterling Notes) may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of amounts owing in respect of the Global Notes (including principal, premium, if any, interest, additional interest and Additional Amounts) to the Paying Agent. The Paying Agent will, in turn, make such payments to Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective procedures. The Issuer will make payments of all such amounts without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of the Notes—Additional Amounts*." If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Notes—Additional Amounts*," the Issuer will pay additional amounts as may be necessary in order that the net amounts received by any holder of the Global Notes or of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer and the Trustee will treat the registered holder of the Global Notes (*i.e.*, the common depositary for Euroclear or Clearstream or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Paying Agent, the Transfer Agent and the Registrar or any of its or their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or

- any other matters relating to the actions and practices of Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of customers registered in "street name."

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid in pound sterling in the case of the Sterling Notes and in euro in the case of the Euro Notes.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of the Notes (including the presentation of the Euro Notes and the Sterling 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 applicable) as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, Euroclear and Clearstream each reserves the right to exchange the Global Notes for definitive registered notes in certificated form ("**Definitive Registered Notes**"), and to distribute Definitive Registered Notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the Notes to persons in states that require physical delivery of securities or to pledge such securities, such holder must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture.

The Rule 144A Global Note will have a legend to the effect set forth under "*Transfer Restrictions*." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Transfer Restrictions*."

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the 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 Indenture) to the effect that such transfer is being made to a person who is a QIB within the meaning of Rule 144A that are also Qualified Purchasers in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Notice to 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.

In the event Additional Notes are issued pursuant to Regulation S that bear the same ISIN, Common Code, CUSIP or other securities identification number as Notes belonging to the same series previously issued, without being fungible with such series of initial Notes for U.S. federal income tax purposes, Book-Entry Interests in the Regulation S Global Notes that form part of that series, including in respect of investors that hold Book-Entry Interests in the Regulation S Global Notes on or prior to the date of issuance of such Additional Notes, will not be eligible for transfer to Book-Entry Interests in a Rule 144A Global Note (if any) representing Notes of that same series.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

- if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days; or

- if the owner of a Book-Entry Interest requests such an exchange in writing delivered through Euroclear or Clearstream following an Event of Default under the Indenture.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Definitive Registered Note by surrendering it to the Registrar or a transfer agent. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the holder, as applicable; provided that no Definitive Registered Note in a denomination less than €100,000 (in the case of the Euro Notes) and £100,000 (in the

case of the Sterling Notes) 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 others, to furnish appropriate endorsements and transfer documents as described in the Indenture or the Existing Indentures. The Issuer may require a holder to pay any transfer taxes and fees required by law and permitted by the Indenture and Notes.

If Definitive Registered Notes are issued and a holder thereof claims that such a Definitive Registered Note has been lost, destroyed or wrongfully taken, or if such Definitive Registered Note is mutilated, upon receipt of an authentication order from the Issuer, and is surrendered to the registrar or at the office of a transfer agent, the Issuer will issue and the Trustee will authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. The Issuer, the Trustee or the Paying Agent may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both to protect themselves, the Trustee or the Paying Agent appointed pursuant to the Indenture from any loss that any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for any expenses incurred by the Issuer in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer pursuant to the provisions of the Indenture, the Issuer, in its discretion, may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged only after the transferor first delivers to the Trustee a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "*Notice to Investors*" and "*Transfer Restrictions*."

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 Exchange. 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, the Registrar and any of its or their respective agents 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 pound sterling (in the case of the Sterling Notes) and euro (in the case of the Euro Notes). 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 the 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 summary of certain UK tax consequences relating to the Notes and is based on current UK tax law and HMRC published practice (which may not be binding on HMRC), 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. It does not address the consequences of any substitution of the Issuer or further issues of securities that will form a single series with any of the series of Notes (notwithstanding that such substitution or further issue may be permitted by the terms and conditions of the Notes). This summary does not necessarily apply where the income is deemed for tax purposes to be the income of any other person. The summary below relates only to persons who are the absolute beneficial owners of their Notes and any interest payable on their Notes and who hold their Notes as a capital investment. Certain classes of persons (such as brokers or dealers in securities, certain professional investors and persons connected with the Issuer) may be subject to special rules and the summary below does not apply to such holders of the Notes. The UK tax treatment of prospective holders of the Notes ("**Noteholders**") depends on their individual circumstances and may be subject to change in the future. This summary does not purport to constitute legal or tax advice. 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

Withholding Tax

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 "recognised stock exchange" within the meaning of Section 1005 of the Income Tax Act 2007 (the "**ITA**"). The Exchange is a recognised stock exchange for these purposes. Securities such as the Notes will be treated for these purposes as listed on the Exchange if they are included in the Official List of the Exchange in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Exchange.

Interest on the Notes may also be paid without withholding or deduction for or on account of UK income tax where the Issuer (and any person by or through whom interest on the Notes is paid) reasonably believes at the time the payment is made that (i) the person beneficially entitled to the interest is a UK resident company, (ii) the person beneficially entitled to the interest is 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 (iii) 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 each case, HMRC has not given a direction that the payment may not be made without that withholding or deduction.

In other cases, an amount must generally be withheld from payments of interest on the Notes for or on account of UK income tax at the basic rate (currently 20%) unless an applicable double tax treaty provides for a full exemption from (or a lower rate of) UK tax in relation to a Noteholder and HMRC has issued a direction to the Issuer to pay interest to that Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

If an amount is withheld or deducted for or on account of UK income tax from a payment of interest on the Notes (e.g., if the Notes are not or cease to be listed on the Exchange and no other relief or exemption is available), Noteholders who are not resident in the UK may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

Any premium payable on redemption of the Notes may be treated as a payment of interest for UK tax purposes and may accordingly be subject to the UK withholding tax treatment described above.

The Notes may be issued at an issue price of less than 100% of their principal amount. Any discount element on any such Notes will not generally be subject to any withholding or deduction for or on account, of United Kingdom income tax.

Direct Assessment

The interest and premium (if any) on the Notes is expected to have a UK source for tax purposes and accordingly may be chargeable to UK tax by direct assessment (including self-assessment) even where paid without withholding or deduction. However, where the interest and premium (if any) is paid without withholding or deduction for or on account of UK tax, the interest will not be assessed to UK tax in the hands of Noteholders (other than certain trustees) who are not resident for tax purposes in the UK, except where (i) the Noteholder carries on a trade, profession or vocation in the UK through a branch or agency in the UK or, in the case of a corporate holder, carries on a trade through a permanent establishment in the UK, and (ii) the interest and premium (if any) arises through or from, or the Notes are used or held by, that branch or agency or is received in connection with, or the Notes are attributable to, that permanent establishment (as applicable), in which case (subject to exemptions for interest received by certain categories of agent) tax may be levied on the UK branch or agency, or permanent establishment.

Noteholders should note that the provisions relating to additional amounts referred to in "*Description of the Notes—Additional Amounts*" above would not apply if HMRC sought to assess directly the person entitled to the relevant interest to UK tax. However exemption from, or reduction of, such UK tax liability might be available under an applicable double taxation treaty.

Payments by the UK Guarantors

The UK withholding tax treatment of payments by the Guarantors under the terms of the Guarantees in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for the Notes) is uncertain. In particular, such payments by the Guarantors may not be eligible for the exemptions from UK withholding tax described above in relation to payments of interest. Accordingly, if the Guarantors make any such payments and they have a UK source, these may be subject to UK withholding tax at the basic rate (currently 20%).

Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

No UK stamp duty or SDRT is payable on the issuance of the Notes. Further, no UK stamp duty or SDRT is payable on a transfer of, or agreement to transfer, the Notes assuming that (i) the interest on the Notes does not exceed a reasonable commercial return on the nominal amount of the capital and (ii) any right on repayment of the Notes to an amount which exceeds the nominal amount of the Notes is reasonably comparable with what is generally repayable (in respect of a similar nominal amount of capital) under the terms of issue of loan capital listed in the Official List of the London Stock Exchange.

Provision of Information

HMRC have powers to obtain information and documents relating to the Notes, including in relation to issues of and other transactions in the Notes, interest, payments treated as interest and other payments derived from the Notes. This may include the value of the Notes, details of the beneficial owners of the Notes, of the person for whom the Notes are held and of the persons to whom payments derived from the Notes are or may be paid. Information may be obtained from a range of persons including persons who effect or are a party to such transactions on behalf of others, registrars and administrators of such transactions, the registered holders of the Notes, persons who make, receive or are entitled to receive payments derived from the Notes and persons by or through whom interest and payments treated as interest are paid or credited.

Information obtained by HMRC may, in certain circumstances, be exchanged by HMRC with the tax authorities of other jurisdictions.

Certain U.S. Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes as of the date hereof. This summary deals only with the Notes that are held as capital assets (within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "**Code**")) for U.S. federal income tax purposes by a U.S. holder (as defined below) who acquires the Notes upon original issuance at their initial offering price.

As used herein, a "U.S. holder" means a beneficial owner of the Notes that is for U.S. federal income tax purposes any of the following:

- an individual who is a citizen or resident of the United States;

- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) that is created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

- a trust if it (i) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) has a valid election in effect under applicable U.S. Treasury Regulations ("**Treasury Regulations**") to be treated as a U.S. person.

This summary is based upon provisions of the Code, and Treasury Regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those summarized below. We have not and will not seek any rulings from the Internal Revenue Service (the "**IRS**") regarding the matters discussed below. There can be no assurance that the IRS will not take positions concerning the tax consequences of the purchase, ownership or disposition of the Notes that are different from those described below.

This summary does not address all aspects of U.S. federal income taxation and does not address the effects of the Medicare contribution tax on net investment income or state, local, non-U.S. or other tax considerations that may be relevant to U.S. holders in light of their particular circumstances. In addition, it does not represent a detailed description of the U.S. federal income tax consequences applicable to you if you are subject to special treatment under the U.S. federal income tax laws. For example, this summary does not address:

- tax consequences to U.S. holders who may be subject to special tax treatment, such as brokers or dealers in securities or currencies, traders in securities that elect to use the mark-to-market method of accounting for their securities, financial institutions, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities or arrangements for U.S. federal income tax purposes (or an investor in such entity), U.S. expatriates, tax-exempt entities or insurance companies;

- tax consequences to U.S. holders holding the Notes as part of a hedging, integrated, constructive sale or conversion transaction or a straddle;

- tax consequences to U.S. holders whose "functional currency" is not the U.S. dollar; or

- alternative minimum tax consequences, if any.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partnership or a partner in a partnership holding the Notes, you should consult your tax advisors.

If you are considering the purchase of the Notes, you should consult your tax advisors concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of the Notes, as well as the consequences to you arising under other U.S. federal tax laws (such as estate or gift tax laws) and the laws of any other taxing jurisdiction.

IPO Pushdown

An IPO Pushdown (as defined in "*Description of the Notes*") could result in a taxable exchange of the Notes for U.S. federal income tax purposes, in which case you may recognize gain or loss on the Notes (although any such loss may be disallowed) at such time equal to the difference, if any, between the issue price of the deemed newly issued Notes (as determined for U.S. federal income tax purposes), and your tax basis in the Notes, and have a new holding period and tax basis in the Notes. Any such gain or loss will be taxed under the rules described below under "*—Sale, Exchange, Redemption, Retirement and Other Taxable Disposition of the Notes*." If the fair market value of the Notes at the time of such taxable exchange were lower than the stated redemption price by more than a *de minimis* amount, you may be required to include the difference as ordinary income as it accrues (on a constant yield to maturity basis) in advance of the receipt of cash. You should consult your tax advisors regarding the potential U.S. federal income tax consequences to you in the event of an IPO Pushdown.

Payments of Interest

Subject to the foreign currency rules discussed below, interest on a Note will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for U.S. federal income tax purposes. In addition to interest on the Notes (which includes any foreign tax withheld), you will be required to include in income any additional amounts paid in respect of any foreign tax withheld. You may be entitled to deduct or credit any foreign tax withheld, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of your applicable foreign taxes for a particular tax year). Interest income (including any additional amounts) on a Note generally will be considered foreign source income and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income. You will generally be denied a foreign tax credit for foreign taxes imposed with respect to the Notes where you do not meet a minimum holding period requirement during which you are not protected from risk of loss. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit (or deduction in lieu of such credit) under your particular circumstances.

Interest on the Euro Notes will be payable in euro and interest on the Sterling Notes will be payable in pound sterling. If you use the cash basis method of accounting for U.S. federal income tax purposes, you will be required to include in income (as ordinary income) the U.S. dollar value of the interest received, determined by translating the euro or pound sterling (as applicable) received at the spot rate of exchange on the date such payment is received, regardless of whether the payment is in fact converted into U.S. dollars on such date. You will not recognize exchange gain or loss with respect to the receipt of such payment.

If you use the accrual method of accounting for U.S. federal income tax purposes or if you are otherwise required to accrue interest prior to receipt, you may determine the amount of income

recognized with respect to such interest (including any additional amounts) in accordance with either of two methods. Under the first method, you will be required to include in income (as ordinary income) for each taxable year the U.S. dollar value of the interest that has accrued on the Notes held during such year, determined by translating such interest at the average spot rate of exchange for the period or periods (or portions thereof) during which such interest accrued or, in the case of an accrual period that spans two taxable years of a U.S. holder, the part of the period within the taxable year. Under the second method, you may elect to translate interest income at the spot rate of exchange on:

- the last day of the accrual period,
- the last day of the taxable year if the accrual period straddles your taxable year, or
- the date the interest payment is received if such date is within five business days of the end of the accrual period.

If you elect to use the second method, the election must be consistently applied by you to all debt obligations you hold from year to year and cannot be changed without the consent of the IRS. You should consult your tax advisor as to the advisability of making the above election.

In addition, if you use the accrual method of accounting upon receipt of an interest payment on a Note (including, upon the sale of a Note, the receipt of proceeds which include amounts attributable to accrued but unpaid interest previously included in income), you will recognize U.S. source ordinary income or loss in an amount equal to the difference, if any, between the U.S. dollar value of such payment (determined by translating the euro or pound sterling received at the spot rate of exchange on the date such payment is received) and the U.S. dollar value of the interest income you previously included in income with respect to such payment (as determined above), regardless of whether the payment is in fact converted to U.S. dollars at such time.

Sale, Exchange, Redemption, Retirement and Other Taxable Disposition of the Notes

Upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, you will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, redemption, retirement or other taxable disposition (less an amount equal to any accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income as discussed above in "—*Payments of Interest*") and your adjusted tax basis in the Note. Your adjusted tax basis in the Note generally will be your U.S. dollar cost for that Note. If you purchased your Note with euro or pound sterling, your cost generally will be the U.S. dollar value of the euro or pound sterling paid for such Note determined at the spot rate of exchange on the date of such purchase. If your Note is sold, exchanged, redeemed, retired or otherwise disposed of in a taxable disposition for euro or pound sterling, the amount realized generally will be the U.S. dollar value of the euro or pound sterling received based on the spot rate of exchange in effect on the date of sale, exchange, redemption, retirement or other taxable disposition. If you are a cash method taxpayer and the Notes are traded on an established securities market, euro or pound sterling paid or received will be translated into U.S. dollars at the spot rate of exchange on the settlement date of the purchase or sale. If you are an accrual method taxpayer, you may elect the same treatment with respect to the purchase and sale of the Notes traded on an established

securities market, provided that the election is applied consistently to all debt instruments held by you from year to year. Such election cannot be changed without the consent of the IRS.

Subject to the foreign currency rules discussed below, your gain or loss will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange, redemption, retirement or other taxable disposition, you have held the Note for more than one year. Capital gains of non-corporate U.S. holders, including individuals, derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Gain or loss realized by you on the sale, exchange, redemption, retirement or other taxable disposition of a Note would generally be treated as U.S. source gain or loss.

A portion of your gain or loss may be treated as exchange gain or loss with respect to the principal amount of a Note. Exchange gain or loss will be treated as ordinary income or loss and generally will be U.S. source gain or loss. For these purposes, the principal amount of the Note is your purchase price for the Note calculated in euro or pound sterling on the date of purchase and the amount of exchange gain or loss recognized is equal to the difference between (i) the U.S. dollar value of the principal amount determined at the spot rate of exchange on the date of the sale, exchange, redemption, retirement or other taxable disposition of the Note and (ii) the U.S. dollar value of the principal amount determined on the date you purchased the Note (or, possibly, in the case of cash basis or electing accrual basis U.S. holders, the settlement dates of such purchase or taxable disposition, provided the Note is traded on an established securities market). The amount of exchange gain or loss realized on the disposition of a Note (with respect to both principal and accrued interest) will be limited to the amount of overall gain or loss realized on the disposition of the Note.

Exchange Gain or Loss with respect to Euro or Pound Sterling

Your tax basis in the euro or pound sterling received as interest on a Note or on the sale, exchange, redemption, retirement or other taxable disposition of a Note will be equal to the U.S. dollar value of the euro or pound sterling, as applicable, determined at the time of receipt. Any gain or loss recognized by you on a sale, exchange or other taxable disposition of the euro or pound sterling will be ordinary income or loss and generally will be U.S. source gain or loss.

Additional Notes

The Issuer may issue Additional Notes (as defined in "*Description of the Notes*") under the Indenture. Any Additional Notes sold pursuant to Regulation S from time to time may be issued with the same ISIN, Common Code, CUSIP or other securities identification number as the applicable series of Notes previously issued under the Indenture without being fungible with such series of Notes for U.S. federal income tax purposes. If you are considering the purchase of Notes sold pursuant to Regulation S as part of this offering of Notes or in the secondary market, you should consult your tax advisors concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of such Notes, including with respect to the potential issuance of Additional Notes that are not fungible with the applicable series of initial notes issued under the Indenture for U.S. federal income tax purposes, but which nevertheless are not capable of being separately identified.

Reportable Transactions

Treasury Regulations meant to require the reporting of certain tax shelter transactions could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury Regulations, certain transactions are required to be reported to the IRS including, in certain circumstances, a sale, exchange, retirement, redemption or other taxable disposition of a foreign currency note, such as a Note, or foreign currency received in respect of a foreign currency note, to the extent that such sale, exchange, retirement, redemption or other taxable disposition results in a tax loss in excess of a threshold amount. If you are considering the purchase of the Notes, you should consult with your tax advisors to determine the tax return obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Backup Withholding and Information Reporting

Generally, information reporting requirements will apply to all payments of principal and interest on a Note, or the proceeds from a sale or other disposition of a Note paid to you, unless you are an exempt recipient and, when required, demonstrate this fact. Additionally, if you fail to provide your taxpayer identification number, or in the case of interest payments, fail either to report in full dividend and interest income or to make certain certifications, you may be subject to backup withholding on any such payments or proceeds.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against your U.S. federal income tax liability provided the required information is timely furnished to the IRS. You are urged to consult your tax advisors regarding backup withholding and information reporting requirements relating to your ownership and disposition of the Notes.

Foreign Financial Asset Reporting

Certain U.S. holders are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for the Notes held in accounts maintained by certain financial institutions), by attaching a complete IRS Form 8938, Statement of Specified Financial Assets, with their tax return for each year in which they hold an interest in the Notes. You are urged to consult your tax advisors regarding the application of these rules to your ownership of the Notes and potential penalties for failure to comply.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase and holding of the Notes by (i) "employee benefit plans" (as defined in Section 3(3) of the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**")) that are subject to Title I of ERISA, (ii) plans, individual retirement accounts, and other arrangements that are subject to Section 4975 of the United Stated Internal Revenue Code of 1986, as amended (the "**Code**") or provisions under any other federal, state, local, non-U.S. or other laws or regulations that are substantially similar to such provisions of ERISA or the Code ("**Similar Laws**") and (iii) entities whose underlying assets are considered to include "plan assets" of any of the foregoing described in clauses (i) and (ii) (each of the foregoing described in clauses (i), (ii) and (iii) referred to herein as a ("**Plan**")).

General Fiduciary Matters

ERISA and the Code impose certain duties on those persons who are fiduciaries with respect to a Plan subject to Title I of ERISA or Section 4975 of the Code (a "**Covered Plan**"). Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such a Covered Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation to such an ERISA Plan, is generally considered to be a fiduciary of the Covered Plan.

In considering an investment in the Notes of a portion of the assets of any Plan, the fiduciary of a Plan should determine whether the investment is in accordance with the applicable provisions of ERISA, the Code or any Similar Laws, including, without limitation, general fiduciary requirements of ERISA, the requirement of investment prudence and diversification, the requirement that a Plan's investments be made in accordance with the documents governing the Plan, delegation of control and prohibited transaction provisions of ERISA, the Code and any Similar Laws. The prudence of a particular investment must be determined by the responsible fiduciary of a Covered Plan by taking into account the Covered Plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed above under "*Risk Factors*" and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of the Notes.

Governmental plans, certain church plans, non-U.S. Plans and other plans, while not subject to the fiduciary responsibility provisions of Title I of ERISA or the prohibited transaction provisions of Title I of ERISA or Section 4975 of the Code, may nevertheless be subject to Similar Laws. Fiduciaries of any such plans should consult with their counsel before acquiring the Notes.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of a Covered Plan and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Covered Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engaged in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code. In addition, a fiduciary of the Covered Plan

who engaged in such non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code.

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if the Notes are acquired with the assets of a Covered Plan with respect to which the Issuer, the Initial Purchasers, the agents, the Trustee, the lenders under the Issuer's existing credit facility or any of their respective affiliates, is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Covered Plan fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are Prohibited Transaction Class Exemption ("**PTCE**") 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by "independent qualified professional asset managers"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 95-60 (relating to investments by insurance company general accounts), and PTCE 96-23 (relating to transactions effected by in-house asset managers) ("**Investor-Based Exemptions**"). There is also a statutory exemption that may be available under Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code to a person investing in the Notes for adequate consideration (within the meaning of Section 408(b)(17) of ERISA and Section 4975(f)(10) of the Code) that is a party in interest or disqualified person solely because it is a service provider to a Plan or because of a relationship to such a service provider or both, provided that neither such person nor any of its affiliates (directly or indirectly) has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of the ERISA Plan involved in the transaction (the "**Service Provider Exemption**"). Each of the above-noted exemptions contains conditions and limitations on its application. Fiduciaries of Covered Plans considering acquiring Notes in reliance on these or any other exemption should carefully review the exemption to assure it is applicable. There can be no assurance that any of these Investor-Based Exemptions or the Service Provider Exemption or any other administrative or statutory exemption will be available with respect to any particular transaction involving the Notes.

Any insurance company proposing to invest assets of its general account in the Notes should consider the extent to which such investment would be subject to the requirements of Title I of ERISA and Section 4975 of the Code in light of the U.S. Supreme Court's decision in John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank, 510 U.S. 86 (1993), and the enactment of Section 401(c) of ERISA on August 20, 1996. In particular, such an insurance company should consider (i) the exemptive relief granted by the U.S. Department of Labor for transactions involving insurance company general accounts in PTCE 95-60 and (ii) if such exemptive relief is not available, whether its acquisition of the Notes will be permissible under the final regulations issued under Section 401(c) of ERISA. The final regulations provide guidance on which assets held by an insurance company constitute "plan assets" for purposes of the fiduciary responsibility provisions of Title I of ERISA and Section 4975 of the Code. The regulations do not exempt the assets of insurance company general accounts from treatment as "plan assets" to the extent they support certain participating annuities issued to ERISA Plans after December 31, 1998.

Representations and Further Considerations

By its acquisition of a Note of any interest therein, each purchaser and subsequent transferee thereof will be deemed to have represented and warranted, on each day from the date on which such purchaser or transferee, as applicable, acquires its interest in such Notes through and including the date on which such purchaser or transferee, as applicable, disposes of its interest in such Notes, either that (i) no portion of the assets used by such purchaser or transferee to purchase or hold the Notes (or any interest therein) constitutes assets of any Plan, or (ii) its purchase and holding of the Notes (or any interest therein) will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Law.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that each Plan fiduciary or other person who proposes to use assets of any Plan to acquire or hold the Notes (or any interest therein) should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code, or any other applicable Similar Laws, to such an investment, and to confirm that such investment will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA, the Code or a violation of any applicable Similar Laws.

PLAN OF DISTRIBUTION

Barclays Bank PLC, J.P. Morgan Securities plc, Goldman Sachs Bank Europe SE, Citigroup Global Markets Limited, DNB Markets, a division of DNB Bank ASA, HSBC Bank plc, Lloyds Bank Corporate Markets plc, Merrill Lynch International and NatWest Markets Plc are the Initial Purchasers. Subject to the terms and conditions set forth in the Purchase Agreement to be dated as of the date of this Offering Memorandum, the Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase, severally and not jointly, from the Issuer, the principal amount of the Notes as set forth in the Purchase Agreement.

The Initial Purchasers propose to offer the Notes initially at the price indicated on the cover page hereof. After the initial offering, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof. The Initial Purchasers may offer and sell Notes through certain of their affiliates.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by counsel. Subject to the terms and conditions set forth in the Purchase Agreement, the Initial Purchasers have agreed to purchase all of the Notes sold under the Purchase Agreement if any of the Notes are purchased.

The Purchase Agreement further provides that the Issuer will indemnify and hold harmless 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 Parent has agreed, subject to certain limited exceptions, that neither it nor any of its subsidiaries or other controlled affiliates will offer, sell, contract to sell, issue or otherwise dispose of, except as provided under the Purchase Agreement, any debt securities of, or guaranteed by, the Issuer or any of the Guarantors and having a tenor of more than one year (except the Notes and the Guarantees) during the period from the date of the Purchase Agreement through and including the date that is 60 days after the date of the Purchase Agreement, without the prior written consent of the lead representatives of the Initial Purchasers nominated under the Purchase Agreement.

The Notes have not been registered under the U.S. Securities Act or any state securities laws of any jurisdiction. The Initial Purchasers propose to offer the Notes for resale in transactions not requiring registration under the U.S. Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The Initial Purchasers will not offer or sell the Notes except to QIBs who are also Qualified Purchasers, or pursuant to offers and sales to non-U.S. persons that occur outside of the United States within the meaning of Regulation S. In addition, until 40 days following the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the U.S. Securities Act.

Each purchaser of the Notes will be deemed to have made acknowledgments, representations and agreements as described under "*Transfer Restrictions*."

Each of the Initial Purchasers has represented, warranted and agreed that it (i) has 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 it 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 and (ii) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the UK.

Currently there is no public market for the Notes. Application will be made for the Notes to be listed on the Exchange for the listing of and permission to deal in the Notes on the Official List of the Exchange. However, we cannot assure you that the Notes will be approved for listing or that such listing will be maintained. Certain of the Initial Purchasers have advised us that they presently intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors. Accordingly, 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 structure—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited*."

We expect that delivery of the Notes will be made to investors on or about November 8, 2021, which will be the eighth business day following the date of this Offering Memorandum (such settlement being referred to as "**T+8**"). Under Rule 15c6-1 under the U.S. Exchange Act, trades in the secondary market are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes prior to the delivery of the Notes hereunder will be required, by virtue of the fact that the Notes initially settle in T+8, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes prior to their date of delivery hereunder should consult their advisors.

In connection with the Offering, the Initial Purchasers may purchase and sell the Notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the Initial Purchasers of a greater principal amount of Notes than they are required to purchase in the Offering. The Initial Purchasers must close out any short position by purchasing Notes in the open market. A short position is more likely to be created if the Initial Purchasers are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the Offering.

Similar to other purchase transactions, the Initial Purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes

or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor any of the Initial Purchasers make any representation that the Initial Purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. See "*Risk Factors—Risks relating to our structure—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.*"

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions may begin on or after the date on which adequate public disclosure of the terms of the Offering is made and, if commenced, may be discontinued at any time at the sole discretion of the Initial Purchasers. If these activities are commenced, they must end no later than the earlier of 30 calendar days after the date on which the Issuer received the proceeds of the Offering and 60 calendar days after the date of the allotment of the Notes.

The Initial Purchasers and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial investment banking, financial advising, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers and their affiliates have engaged, and may in the future engage, in investment banking (including advisory and/or hedging) and/ or commercial banking transactions with, and may perform services for, the Issuer and its respective affiliates (including TDR Capital and Arrow Global Group Limited) in the ordinary course of business for which they have received or may receive customary fees and commissions. In addition, certain of the Initial Purchasers have provided TDR Capital, Arrow Global Group Limited and the Issuer with M&A advisory services in connection with the Acquisition for which they have received fees and commissions. Each of Barclays Bank PLC, J.P. Morgan Securities plc, Citigroup Global Markets Limited, DNB (UK) Limited, Goldman Sachs Bank Europe SE, HSBC Bank plc, Lloyds Bank Corporate Markets plc, Merrill Lynch International and NatWest Markets PLC, or their respective affiliates are mandated lead arrangers, original lenders and/or bookrunners under the Bridge Facilities Agreement, which will be repaid with the proceeds of this Offering, and the Revolving Facility Agreement. In addition, in the ordinary course of their business activities, the Initial Purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or their respective affiliates (including the Notes). The Initial Purchasers and their affiliates may receive allocations of the Notes (subject to customary closing conditions), which could affect future trading of the Notes. The Initial Purchasers or their respective affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Initial Purchasers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities (including

potentially the Notes). Any such short positions could adversely affect future trading prices of the Notes. The Initial Purchasers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

TRANSFER RESTRICTIONS

Each prospective purchaser of the Notes is advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby. The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act or any other applicable securities laws and may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of any U.S. persons (as defined in Regulation S under the U.S. Securities Act) 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:

- in the United States, to QIBs (as defined in Rule 144A) that are also Qualified Purchasers (as defined in the Section 2(a)(51) of the Investment Company Act) in compliance with Rule 144A; and
- outside of the United States, to "non U.S. persons" as defined in Rule 902 under the U.S. Securities Act in compliance with Regulation S.

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.

In addition, until 40 days after the later of the commencement of this Offering and the closing date, an offer or sale of the Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made other than pursuant to Rule 144A.

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 QIBs that are Qualified Purchasers in a transaction meeting the requirements of Rule 144A, (ii) outside the United States, to "non U.S. persons" as defined in Regulation S (and are not purchasing the Notes for the account or benefit of a U.S. person, other than a distributor) in a transaction complying with Regulation S, (iii) to the Issuer or the Guarantors, in each case in accordance with any applicable securities laws, (iv) pursuant to other exemptions from registration under the U.S. Securities Act and (v) pursuant to an effective registration statement under the U.S. Securities Act.

(2) You will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes (including the Guarantees) from it of the resale restrictions referred to in the legend below.

(3) You are not our "affiliate" (as defined in Rule 144 under the U.S. Securities Act), you are not acting on our behalf and you are either:

    (i) a QIB that is also a Qualified Purchaser 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 not a U.S. person (as defined in Regulation S) and you are purchasing Notes (including the Guarantees) in compliance with Regulation S.

(4) If you are in the EEA, you are not a "retail investor," where "retail investor" means a person who is one (or more) of (i) a retail client as defined in point (11) of MiFID II, (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II or (iii) not a qualified investor as defined in the Prospectus Regulation.

(5) If you are in the UK, you are not a "retail investor," where "retail investor" means a person who is one (or more) of (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA, (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA or (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation.

(6) You are a "relevant person," where "relevant persons" are persons who are (i) persons having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Order"); (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order; (iii) outside the United Kingdom; or (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any securities may otherwise may otherwise lawfully be communicated or caused to be communicated.

(7) 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 or incorporated by reference 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 or the information incorporated by reference herein. 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 AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) THAT IS ALSO A QUALIFIED PURCHASER (AS DEFINED IN SECTION 2(a)(51) OF THE U.S. INVESTMENT COMPANY ACT, 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT")) ("QUALIFIED PURCHASER") OR (B) IT IS A NON-U.S. PERSON ACQUIRING THIS NOTE IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR] [IN THE CASE OF REGULATION S UNDER THE U.S. SECURITIES ACT ("REGULATION S") NOTES: 40 DAYS] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF (OR, IF LATER, THE ISSUE DATE OF ANY ADDITIONAL NOTES) 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 QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A THAT IS

ALSO A QUALIFIED PURCHASER AS DEFINED IN THE INVESTMENT COMPANY ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER THAT IS ALSO A QUALIFIED PURCHASER 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 (D) OR (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. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

1. Each Note will also contain a legend substantially to the following effect:

   BY ACCEPTANCE OF THIS NOTE OR ANY INTEREST THEREIN, 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 THIS NOTE (OR ANY INTEREST HEREIN) CONSTITUTES THE ASSETS OF ANY (I) "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") THAT IS SUBJECT TO TITLE I, (II) A PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE U.S. 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 (III) ENTITY WHOSE UNDERLYING

ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING DESCRIBED IN CLAUSES (I) AND (II) OR (B) THE PURCHASE AND HOLDING OF THIS NOTE OR ANY INTEREST HEREIN BY SUCH HOLDER WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A SIMILAR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS.

2. The purchaser has received a copy of this Offering Memorandum relating to the Offering and acknowledges that (i) neither we nor the Initial Purchasers or any person representing us or the Initial Purchasers have made any representation to it with respect to us or the Offering and the sale of the Notes (including the Guarantees) other than the information contained in or incorporated by reference in this Offering Memorandum and (ii) it has had access to such financial and other information and has been offered the opportunity to ask questions of us and received answers thereto, as it deemed necessary in connection with the decision to purchase Notes (including the Guarantees).

3. The Registrar will not be required to accept for registration of transfer any Notes (including the Guarantees) acquired by you, except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth herein have been complied with.

4. The Issuer, the Guarantors, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations and agreements set forth herein and you agree that, if any of your acknowledgements, representations or agreements herein cease to be accurate and complete, you will notify us and the Initial Purchasers promptly in writing. If you are acquiring any Notes (including the Guarantees) as fiduciary or agent for one or more investor accounts, you represent with respect to each such account that you have sole investment discretion and you have full power to make, and make, the foregoing acknowledgements, representations and agreements.

5. You will give to each person to whom you transfer these Notes (including the Guarantees) notice of any restrictions on the transfer of the Notes (including the Guarantees).

6. You acknowledge that the above restrictions on resale will apply from the closing date until the date that is one year (in the case of the Notes issued under Rule 144A) after the later of the original issue date of the Notes (or, if later, the issue date of any Additional Notes) and the last date on which the Issuer or any affiliate of the Issuer was the owner of the Notes (or any predecessor of the Notes) or 40 days (in the case of the Notes issued under Regulation S) after the later of the date when the Notes were first offered to persons other than distributors in reliance on Regulation S and the date of completion of the distribution (the "**Resale Restriction Period**"), and will not apply after the applicable Resale Restriction Period ends.

7. 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*."

8. 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.

9. You understand that, in the event Additional Notes are issued pursuant to Regulation S that bear the same ISIN, Common Code, CUSIP or other securities identification number as Notes belonging to the same series previously issued, without being fungible with such series of initial Notes for U.S. federal income tax purposes, Book-Entry Interests in the Regulation S Global Notes that form part of that series, including in respect of investors that hold Book-Entry Interests in the Regulation S Global Notes on or prior to the date of issuance of such Additional Notes, will not be eligible for transfer to Book-Entry Interests in a Rule 144A Global Note (if any) representing Notes of that same series.

10. Either (i) no portion of the assets used by such holder to acquire or hold the Notes or any interest therein constitutes the assets of any (a) "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (b) plan, individual retirement account or other arrangement that is subject to Section 4975 of the Code or provisions under any applicable Similar Laws, or (c) entity whose underlying assets are considered to include "plan assets" of any of the foregoing described in clauses (i) and (ii) or (ii) the purchase and holding of the Notes (or any interest therein) by such holder will not constitute or result in a non-exempt prohibited transaction under section 406 of ERISA or Section 4975 of the Code or a similar violation under any applicable Similar Laws.

LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon for us by Simpson Thacher & Bartlett LLP as to matters of U.S. Federal and New York State law and as to matters of English law, by PLMJ Advogados, SP, RL as to matters of Portuguese law, by Baker & McKenzie Amsterdam N.V. as to matters of Dutch law, by Allen & Overy – Studio Legale Associato as to matters of Italian law, by Matheson as to matters of Irish law, by Bedell Cristin Guernsey Partnership as to matters of Guernsey laws and by Mourant Ozannes (Jersey) LLP as to matters of Jersey law.

Certain legal matters in connection with this Offering will be passed upon for the Initial Purchasers by Shearman & Sterling (London) LLP as to matters of U.S. Federal and New York State law and as to matters of English law, by NautaDutilh N.V. as to matters of Dutch law, by Appleby (Guernsey) LLP as to matters of Guernsey law and by Ogier (Jersey) LLP as to matters of Jersey law.

INDEPENDENT AUDITORS

The financial statements of AGG as of and for the years ended December 31, 2018, 2019, and 2020, included in this Offering Memorandum, have been audited by KPMG LLP, independent auditors, as stated in their reports appearing herein. KPMG LLP is a current member of the Institute of Chartered Accountants in England and Wales. With respect to the unaudited interim financial information for the six-month periods ended June 30, 2021 and 2020, included herein, the independent accountants have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report included herein, states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

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. 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 International Stock Exchange 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 the Parent, the Indenture (which will include the Guarantees and the form of the applicable Notes), the Intercreditor Agreement and the Transaction 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

England and Wales

The U.S. and England and Wales currently do not have a treaty 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 and Wales. In order to enforce any such U.S. judgment in England and Wales, proceedings must first be initiated before a court of competent jurisdiction in England and Wales. In such an action, the English court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is described 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 court in such an action is conditional upon (among others) the following:

- the U.S. court having had, at the time when proceedings were served, jurisdiction over the original proceedings according to English rules of private international law;
- the U.S. judgment being final and conclusive, on the merits and for a debt or definite sum of money; and
- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature or in respect of a penalty or fine or otherwise based on a U.S. law that an English court considers to relate to penal, revenue or other public law.

An English court may refuse to enforce such a judgment if the judgment debtor satisfies the court that:

- the U.S. judgment contravenes English public policy or the European Convention on Human Rights;
- the U.S. judgment includes an assessment of damages that has been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained, is otherwise specified in Section 5 of the Protection of Trading Interests Act 1980 or is based on measures designated by the Secretary of State under Section 1 of the Act;
- the U.S. judgment has been obtained by fraud or in breach of English principles of natural or substantial justice;
- the U.S. judgment is a judgment in respect of the same subject matter involving the same parties as previously determined by an English court or another court whose judgment is entitled to recognition in England and Wales and is inconsistent with the earlier judgment of such court;

- the English enforcement proceedings were not commenced within the relevant limitation period;
- the party against whom the judgment is to be enforced is not subject to the jurisdiction of English courts; or
- the U.S. judgment was obtained contrary to an agreement for the settlement of disputes under which the dispute in question was to be settled otherwise than by proceedings in a United States court (to whose jurisdiction the judgment debtor did not submit).

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

The Netherlands

The Dutch Guarantors are incorporated under Dutch law and have their registered seat in the Netherlands. Civil liabilities based on the securities laws of the United States may not be enforceable in the Netherlands, either in an original action or in an action to enforce a judgment obtained in U.S. courts.

The United States and the Netherlands currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for payment given by any court in the United States, whether or not predicated solely upon U.S. securities laws, would not automatically be recognized or enforceable in the Netherlands. In order to obtain a judgment which is enforceable in the Netherlands, the claim must be re-litigated before a competent Dutch court. However, a final and enforceable judgment rendered by the relevant federal or state court in the United States against any of the Dutch Guarantors with respect to its payment obligations would generally be upheld and be regarded by a Dutch court of competent jurisdiction as conclusive evidence when requested to render a judgment in accordance with that judgment by the relevant federal or state court in the United States, without substantive re-examination or re litigation of the merits of the subject matter thereof, if the Dutch court finds that (i) the jurisdiction of the relevant federal or state court in the United States is based on international acceptable standards, (ii) the judgment was rendered in legal proceedings that comply with the standards of the proper administration of justice that includes sufficient safeguards (*behoorlijke rechtspleging*), (iii) the recognition of that judgment does not contravene with Dutch public policy (*openbare orde*), and (iv) the judgment is not irreconcilable with a judgment of a Dutch court given between the same parties, or with an earlier judgment of a foreign court given between the same parties in a dispute involving the same cause of action and subject matter, provided that such earlier judgment fulfils the conditions necessary for it to be given effect in the Netherlands.

Subject to the foregoing and provided that service of process occurs in accordance with applicable treaties, investors may be able to enforce in the Netherlands judgments in civil and

commercial matters obtained from U.S. federal or state courts. However, no assurance can be given that such judgments will be enforceable. In addition, it is doubtful whether a Dutch court would accept jurisdiction and impose civil liability in an original action commenced in the Netherlands and predicated solely upon U.S. federal securities laws.

Any enforcement of agreements governed by foreign law and any foreign judgments in the Netherlands will be subject to the rules of Dutch civil procedure. Judgments may be rendered in a foreign currency but enforcement is executed in euros at the applicable rate of exchange.

Enforcement of obligations in the Netherlands will be subject to the nature of the remedies available in the courts of the Netherlands. Under certain circumstances, a Dutch court has the power to stay proceedings (*aanhouden*) or to declare that it has no jurisdiction, if concurrent proceedings are being brought elsewhere.

A Dutch court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses and damages.

Guernsey

The U.S. and Guernsey currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters.

In Guernsey, foreign judgments can be recognized by the Royal Court of Guernsey (the "**Guernsey Court**") either under the Foreign Judgments (Reciprocal Enforcement) (Guernsey) Law, 1957, as amended (the "**1957 Law**"), which provides a statutory framework for the enforcement of judgments made in a reciprocating country and of a kind to which the 1957 Law applies, or under the principles of common law. Save for very exceptional and limited circumstances, if the 1957 Law does not apply then the common law prevails.

For jurisdictions not included in the 1957 Law, including the U.S., a judgment obtained in a court in the U.S. against a Guernsey company (or its directors or officers) cannot be registered or enforced in Guernsey, pursuant to the 1957 Law, but may be enforceable by separate action on the judgment in accordance with Guernsey common law rules.

To enforce the judgment of a court of the U.S. in Guernsey, the claimant would be required to bring fresh proceedings before the Guernsey Court, suing on the foreign judgment itself and applying for summary judgment if the case is placed on the pleadings list (essentially, where the case is defended). In such an action, the Guernsey Court is unlikely to re-examine the merits of the original case decided by a U.S. court.

According to current practice, the Guernsey Court will (subject to the following matters) enforce the judgment of a court in the United States in *in personam* proceedings provided that the following conditions *inter alia* are satisfied:

(a) the judgment is for a debt or fixed or ascertainable sum of money (provided that the judgment does not relate to U.S. penal, revenue or other public laws);

(b) the judgment is final and conclusive; and

(c) the court in the U.S. had, at the time when proceedings were served, jurisdiction over the judgment debtor in accordance with the Guernsey rules of private international law.

The Guernsey Court will not, however, enforce that judgment if the judgment debtor satisfies the Guernsey Court that:

(a) the judgment was given in proceedings that were in breach of principles of natural or substantial justice;

(b) enforcement of the judgment would be contrary to Guernsey public policy;

(c) the foreign court did not have jurisdiction to give that judgment according to Guernsey rules on the conflict of laws;

(d) there was fraud on the part of the U.S. court pronouncing judgment;

(e) there was fraud on the part of the party in whose favor the judgment was given;

(f) enforcement proceedings are time barred under the Guernsey laws on prescription/limitation;

(g) the foreign judgment is not for a definite sum of money (which is not a sum in respect of taxes or penalties) or is not final and conclusive;

(h) the foreign judgment was against a person who was entitled to immunity from the courts of that country; and

(i) the foreign court had no jurisdiction in circumstances where the judgment debtor was, at the time the proceedings were instituted, present in the foreign country and the bringing of proceedings in that U.S. court was contrary to an agreement under which the dispute was to be settled and the judgment debtor did not agree to the proceedings being brought in that U.S. court, nor counterclaimed or otherwise submitted to the jurisdiction.

If the Guernsey Court gives judgment for the sum payable under a judgment of a United States court, the Guernsey judgment would be enforceable by the methods generally available for the enforcement of Guernsey judgments. These give the Guernsey Court discretion whether to allow enforcement by any particular method. In addition, it may not be possible to obtain a Guernsey judgment or to enforce any Guernsey judgment: if the judgment debtor is subject to any insolvent administration or similar proceedings; if there is delay; if an appeal is pending or anticipated against the Guernsey judgment in Guernsey or against the foreign judgment in the courts of the United States; or if the judgment debtor has any set-off or counterclaim against the judgment creditor. Additionally, any security interest may affect the circumstances where the Guernsey Court provides judicial assistance to persons empowered under foreign bankruptcy law to act on behalf of an insolvent company and/or in relation to the enforcement of a judgment debt.

Jurisdiction

A foreign court is considered to have jurisdiction where one of four criteria is met, being any of the following:

(a) where the respondent to the order sought to be enforced was, at the time the proceedings were instituted, present in the foreign jurisdiction (and where that "person" is a corporate entity, where it is resident or maintains a fixed place of business in the foreign jurisdiction);

(b) where the respondent to the order sought to be enforced was a claimant or counterclaimant in the proceedings in the foreign court;

(c) where the respondent to the order sought to be enforced submitted to the jurisdiction of the foreign court by voluntarily appearing in the proceedings; or

(d) where the respondent to the order sought to be enforced agreed, prior to the commencement of the proceedings, to submit to the jurisdiction of the foreign court.

Sum of Money

It is a generally accepted principle of common law in Guernsey that for the Guernsey Court to recognize a foreign judgment, that judgment needs to be for a definite sum of money and must not include deductions or additions for unspecified amounts such as tax, nor can it include penalties.

Final and Conclusive

A foreign judgment which is final and conclusive, for the purposes of recognition under Guernsey common law, is one which cannot be varied by the court which pronounced it, notwithstanding that there may be a right of appeal.

Jersey

The following is a summary with respect to the enforceability of certain U.S. court judgments in Jersey.

The United States and Jersey currently do not have a treaty 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 Jersey. In order to enforce any such U.S. judgment in Jersey, proceedings must first be initiated before a court of competent jurisdiction in Jersey. In such an action, a Jersey court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to the qualifications below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no valid defense to it).

Recognition and enforcement of a U.S. judgment by a Jersey court in such an action is conditional upon (among other things) the following:

(a) the U.S. court having had jurisdiction over the original proceedings according to Jersey conflict of laws principles;

(b) 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 definite sum of money (although there are circumstances where non-money judgments can also be recognized);

(c) the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine;

(d) 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 United Kingdom Protection of Trading Interests Act 1980 (as extended to Jersey by the Protection of Trading Interests Act 1980 (Jersey) Order 1983);

(e) the recognition and enforcement of the U.S. judgment is not contrary to public policy in Jersey, including that the judgment was not obtained by fraud or duress and the observance of the principles of natural justice which require that documents in the US proceeding were properly served on the defendant and that the defendant was given the right to be heard and represented by counsel in a free and fair trial before an impartial tribunal; and

(f) there being no earlier judgment of another court of competent jurisdiction between the same parties on the same issues as are dealt with in the judgment to be enforced.

Subject to the foregoing, investors may be able to enforce in Jersey judgments in civil and commercial matters that have been obtained from U.S. federal or state courts. However, we cannot assure you that those judgments will be recognized or enforceable in Jersey. In addition, it is questionable whether a Jersey court would accept jurisdiction and impose civil liability if the original action was commenced in Jersey, instead of the United States, and predicated solely upon U.S. Federal securities laws.

Portugal

Whitestar Asset Solutions, S.A. and AGHL Portugal Investments Holdings, S.A. are incorporated under Portuguese law and have their registered offices in Portugal. Civil liabilities based on the securities laws of the United States may not be enforceable in Portugal, either in an original action or in an action to enforce a judgment obtained in U.S. courts.

The U.S. and Portugal currently do not have a treaty 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 Portugal. In order to enforce any such U.S. judgment in Portugal, the claim must be re-litigated before a Portuguese court. The competent court for the review and confirmation in Portugal of a foreign decision is the Portuguese Court of Appeal with jurisdiction in the area where the person against whom the foreign decision is to be enforced is domiciled. However, a final and enforceable judgment rendered by the relevant federal or state court in the United States against each of Whitestar Asset Solutions, S.A. or AGHL Portugal Investments Holdings, S.A. with respect to their payment obligations would generally be upheld and be regarded by a Portuguese court of competent jurisdiction as conclusive evidence when requested to render a judgment in accordance with that judgment by the relevant federal or state court in the United States, without substantive re-examination or re-litigation of the merits of the subject matter thereof, if the following requirements are verified: (i) the judgment is final, translated into Portuguese and apostilled and no doubts exist about the authenticity of the document and the contents of the judgment; (ii) the judgment shall not be contrary to Portuguese public policy and the obligation that the petitioner tries to execute has to be lawful in Portugal; (iii) there shall not be a pending proceeding between the same parties and in relation to the same issues in Portugal; (iv) there shall not be a judgment rendered between the same parties and for the same cause of action in Portugal or in another country; (v) the matters under discussion are not related to matters in which the Portuguese courts consider themselves exclusively competent and the competency of such foreign courts is not obtained by unlawfully circumventing applicable rules; and (vi) the rights of defense of the defendant should have been protected when rendering the foreign judgment (*princípio do contraditório*), including but not limited to a proper service of process carried out with sufficient time for the defendant to prepare its defense and appear before the courts and notification (*citação*), and with respect for the principle of equal treatment of the parties.

Subject to the foregoing and provided that service of process occurs in accordance with applicable treaties, investors may be able to enforce in Portugal judgments in civil and commercial matters obtained from U.S. federal or state courts. However, no assurance can be given that such judgments will be enforceable. In addition, it is doubtful whether a Portuguese court would accept jurisdiction and impose civil liability in an original action commenced in Portugal and predicated solely upon U.S. federal securities laws.

Any enforcement of agreements governed by foreign law and any foreign judgments in Portugal will be subject to the rules of Portuguese civil procedure. Judgments may be rendered in a foreign currency but enforcement is executed in euros at the applicable rate of exchange.

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF GUARANTEES AND SECURITY AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

Set forth below is a summary of certain limitations on the enforceability of the Guarantees and the security interests in each of the jurisdictions in which Guarantees or Collateral are being, or are expected to be, provided. It is a summary only, and proceedings of bankruptcy, insolvency or a similar nature could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future Guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Guarantees and the security interests on the Collateral.

Also set forth below is a brief description of certain aspects of insolvency law in England and Wales, Guernsey, Jersey and the Netherlands. 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.

England and Wales

United Kingdom's Withdrawal from the EU

Following a national referendum in June 2016, the UK exercised its right pursuant to Article 50 of the Treaty on the EU to initiate a process to withdraw from the EU and ceased to be a member of the EU on January 31, 2020 at 11:00 p.m. (London time) ("**Exit Day**"). As a result, a reference in this Offering Memorandum to the EU Insolvency Regulation as it applies to the UK is to be read, on or after Exit Day, as a reference to such EU regulation as it forms part of domestic law by virtue of section 3 of the European Union (Withdrawal) Act 2018 (as amended) (the "**EUWA**") and, as it may have been, or may from time to time be, amended, modified or re-enacted by domestic law and shall include any subordinate legislation made from time to time under that EU regulation, as it forms part of domestic law by virtue of section 3 of the EUWA.

On Exit Day, the UK entered into a transition period which ended on December 31, 2020 at 11:00 p.m. (London time) ("**IP Day**"). During this transition period, the UK continued to be treated as a member state of the EU, including for the purpose of the EU Insolvency Regulation. Following the transition period, the UK ceased to be treated as a member state of EU.

The EU Insolvency Regulation was amended with effect from IP Day pursuant to the Insolvency (Amendment) (EU Exit) Regulations 2019 (as amended by the Insolvency (Amendment) (EU Exit) Regulations 2020 and the Insolvency (Amendment) (EU Exit) (No. 2) Regulations 2019) (the "**Insolvency Amendment Regulations**") such that the provisions regarding mutual recognition of insolvency proceedings under the EU Insolvency Regulation, providing for the automatic recognition of insolvency proceedings commenced in other Member States, no longer apply. However, the EUWA provided for the EU Insolvency Regulation to continue to apply, as it did pre-IP Day, to insolvency proceedings provided that the main proceedings were opened before IP Day. As such, it appears that the EU Insolvency Regulation will not continue to apply where only territorial proceedings have been opened before IP Day.

Therefore, and provided that the main proceedings were started before IP Day, the UK will continue to recognize insolvency proceedings commenced in other Member States, and will receive reciprocal recognition of UK insolvency proceedings.

The Insolvency Amendment Regulations, which (with the exception of the Insolvency (Amendment) (EU Exit) Regulations 2020 which came into effect immediately prior to IP Day) came into effect on Exit Day, amend EU insolvency legislation which had direct effect in the UK. In addition to any other grounds to establish jurisdiction that apply under English law, the post-IP Day EU Insolvency Regulation (as amended by the Insolvency Amendment Regulations) expressly provides that jurisdiction to commence insolvency proceedings in the UK in respect of a debtor can be established where such proceedings are opened for the purposes of rescue, adjustment of debt, reorganization or liquidation and:

- the debtor's center of main interests ("**COMI**") is in the UK; or

- the debtor's COMI is in a Member State (other than Denmark) and there is an establishment in the UK.

These tests are consistent with the EU Insolvency Regulation for determining the proper jurisdiction for a debtor's insolvency proceedings and the applicable law to be used in those proceedings. However, the Insolvency Amendment Regulations extend the UK court's jurisdiction (i) provided the court considers there to be a sufficient connection with England and Wales (and that (A) there is a reasonable possibility, if a winding-up order is made, of benefit to those applying for the winding-up order and (B) one or more persons interested in the distribution of assets of the company is a person over whom the court can exercise jurisdiction), to wind up any foreign company which might be wound up as an unregistered company under UK insolvency laws, even if its COMI is in a Member State and it has no establishment in the UK; and (ii) to place a company incorporated in an EEA state, or having its COMI in a Member State, into administration.

While the English courts can assume jurisdiction over certain foreign companies in respect of certain insolvency proceedings on these bases, the efficacy of such proceedings will significantly depend on the likelihood and extent of subsequent recognition of such proceedings in relevant other jurisdictions (see "*—Cross-border recognition of English insolvency and restructuring proceedings*").

Insolvency

Certain of the Guarantors and certain of the providers of Collateral are companies incorporated under the laws of England and Wales (each an "**English company**"). The courts of England and Wales would have jurisdiction to open insolvency proceedings, based on English insolvency laws, over an English company.

In addition, the UK Cross Border Insolvency Regulations 2006, which implement the UNCITRAL Model Law on Cross Border Insolvency (the "**Model Law**") in Great Britain and which apply to foreign insolvency proceedings (subject to certain exceptions) anywhere in the world without any condition of reciprocity, provide that certain collective foreign (i.e., non-English) proceedings in respect of an English company may be recognized by the English courts

as foreign main proceedings where it has its COMI in that foreign jurisdiction, or as foreign non main proceedings where it has an "establishment" (being a place of operations where it carries out a non-transitory economic activity with human means and assets or services) in such foreign jurisdiction. Should any English company have its COMI in a jurisdiction that is not within the UK, and insolvency proceedings are opened in that jurisdiction and afforded recognition by the English courts, any proceedings opened in England and Wales would be limited to the assets of the relevant company that are located in Great Britain. Upon recognition of foreign main proceedings, an automatic stay, equivalent to the stay in an English compulsory liquidation (see below), will apply to prevent certain types of creditor action in Great Britain, including commencement of proceedings concerning the debtor's assets, rights, obligations or liabilities (but the automatic stay will not affect a creditor's rights to enforce security over the debtor's property (albeit such a stay may be requested from the English court)). No automatic stay applies upon recognition of foreign non main proceedings (albeit such a stay may be requested from the English court).

Formal insolvency proceedings under the laws of England and Wales may be initiated in a number of ways. These include, in the case of administration, the company, its directors or a creditor making an application to court for an administration order, or the company, its directors or the holder of a "qualifying floating charge" (discussed below) granted by the company and which has become enforceable appointing an administrator out of court, or, in the case of liquidation, by a creditor filing a petition at court to wind up the company or the company resolving by special resolution that it be wound up voluntarily.

English insolvency law is different to the laws of the United States and other jurisdictions with which investors may be familiar. In the event that an English obligor experiences financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings. On the Issue Date, the obligations under the Notes will be guaranteed by the Initial Guarantees and the Notes will be secured by security interests over the Initial Collateral. English insolvency laws and other limitations could limit the enforceability of a Guarantee against an English obligor and the enforceability of security interests over the Collateral.

The following is a brief description of certain aspects of English insolvency law relating to certain limitations on the Guarantees and the security interests over the Collateral. The application of these laws could adversely affect investors, their ability to enforce their rights under the Guarantees and/or the Collateral securing the Notes and therefore may limit the amounts that investors may receive in an insolvency of a Guarantor.

Administration

The Insolvency Act 1986 (as amended, the "**Insolvency Act**") and the onshored version of the EU Insolvency Regulation (which pursuant to the Insolvency Amendment Regulations has been substantially amended) provide that an administrator may be appointed (whether in or out of court) in respect of a company incorporated in England, Wales, Scotland or an EEA state, a company not incorporated in an EEA state but with its COMI in a member state of the EU (other than Denmark), a company (wherever incorporated) having its COMI in the UK or a company (wherever incorporated) with its COMI in a member state of the EU and an "establishment" in the UK, and upon request from courts in other parts of the UK or certain other countries or territories.

Without limitation and subject to specific conditions, following an application to court for an administration order, an administration order can only be made if the court is satisfied that (a) the relevant company is or is likely to become "unable to pay its debts" and (b) the administration order is reasonably likely to achieve the purpose of administration.

A company is unable to pay its debts if it is insolvent on a "cash flow" basis (unable to pay its debts as they fall due) or if it is insolvent on a "balance sheet" basis (the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities) in each case under Section 123 of the Insolvency Act. "Cash flow" insolvency is presumed if, among other matters, the company fails either to satisfy a creditor's statutory demand for a debt exceeding £750 (for a period of three weeks) or to satisfy in full or in part a judgment debt (or similar court order). The administrator must perform his functions with the objective of rescuing the company as a going concern or, if that is not reasonably practicable or if the following would achieve a better result for the company's creditors as a whole, achieving a better result for the company's creditors as a whole than would be likely upon immediate liquidation or, if neither of those objectives is reasonably practicable and the interests of the creditors as a whole are not unnecessarily harmed thereby, realizing property to make a distribution to one or more secured or preferential creditors. The order of priority which applies to any distribution to creditors is set out below (see "*—Priority on Insolvency*").

Without limitation and subject to specific conditions, a company, the directors of such company or the holder of a "qualifying floating charge" (as defined herein) granted by the company and which has become enforceable may also appoint an administrator out of court, and different procedures apply according to the identity of the appointer.

An administrator is given wide powers to conduct the business and, subject to certain requirements under the Insolvency Act, dispose of the property of a company in administration (including property subject to a floating charge). The entitlement of the floating charge holder(s) to receive the proceeds of the realization of the relevant property will be subject to any prior ranking claims in the statutory order of priority, (see "*—Priority on Insolvency*"). An administrator may also, with the prior approval of the court, deal with assets subject to a fixed charge, provided that disposing of the property is likely to promote the purpose of the administration and the administrator applies (i) the net proceeds from the disposal; and (ii) any additional money required to be added to the net proceeds so as to produce the amount determined by the court as the net amount which would be realized on a sale of the property at market value, towards discharging the obligations of the company to the fixed charge holder.

In addition, certain rights of creditors, including secured creditors, are curtailed in an administration. Upon the appointment of an administrator, a statutory moratorium is imposed and no step may be taken to enforce security over the company's property except with the consent of the administrator or permission of the court. The same requirements for consent or permission apply to the institution or continuation of legal process (including legal proceedings, execution, distress and diligence) against the company or property of the company. In either case, a court will consider discretionary factors in determining any application for permission in light of the hierarchy of statutory objectives of administration described above. An interim moratorium on similar terms will apply where an application for an administration order has been made but not yet granted or dismissed (or where an administration order has not yet taken effect) or from such

time as a notice of an intention to appoint an administrator has been filed until the earlier of the appointment of an administrator and the expiry of a period of five business days (where the administrator is proposed to be appointed by the holder of a qualifying floating charge) or ten business days (where the administrator is proposed to be appointed by the company or directors).

However, certain creditors of a company in administration may, in certain defined circumstances, be able to realize their security over certain of 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 arrangement" (generally, a charge over cash or financial instruments such as shares, bonds or tradeable capital market debt instruments and credit claims) under the Financial Collateral Arrangements (No. 2) Regulations 2003 (as amended) (see further below).

If an English company were to enter administration, whether it would be possible to enforce any security granted by it while the company was in administration without permission of the court or consent of the administrator would depend on whether such security constituted a financial collateral arrangement. A demand for payment could be made under any guarantee granted by the company but no legal process could be instituted against the company in connection therewith without the consent of the administrator or the permission of the court.

Accordingly, if any of the Issuer, or the Guarantors or the providers of Collateral were to enter into administration, the Notes and the Guarantees and the Collateral, as applicable, could not be enforced (save to the extent that the Collateral constitutes a financial collateral arrangement) while the relevant company was in administration without the permission of the court or consent of the administrator.

Administration, Administrative Receivership and Floating Charges

As set out above, the Insolvency Act empowers the 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 granted by the company and which has become enforceable, and different procedures apply according to the identity of the appointer.

In order to empower the chargee 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 Insolvency Act to the prohibition on the appointment of administrative receivers. 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 Insolvency Act). This will apply if an English obligor incurs a debt of at least £50,000,000 during the life of the arrangement and the arrangement involves the issue of a "capital markets investment" (which is defined in the Insolvency Act, but is generally a rated, listed or traded debt instrument) as well as fulfilling certain other technical requirements. If an administrative receiver has been appointed, an administrator can only be appointed by the court (and not by the company, its directors or the holder of a

qualifying floating charge using the out of court procedure) and then only if the person who appointed the administrative receiver consents or the court considers that the security pursuant to which the administrative receiver was appointed is capable of challenge as a transaction at an undervalue, a preference or an invalid floating charge. If an administrator is appointed, any administrative receiver will vacate office, and any receiver of any part of the company's property must resign if required to do so by the administrator.

In order to constitute a qualifying floating charge, the floating charge must be created by an instrument which (a) states that paragraph 14 of Schedule B1 to the Insolvency Act applies to it, (b) purports to empower the holder to appoint an administrator of the company or (c) purports to empower the holder to appoint an administrative receiver within the meaning given by Section 29(2) of the Insolvency Act. The chargee will be the holder of a qualifying floating charge if such floating charge security, together (if necessary) with any fixed charge security interests, relates 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. Please note that carve-outs in the security document which apply to the floating charge may, on their own, or cumulatively with other carve-outs, impact the analysis of whether the 'whole or substantially the whole of the property' is covered by the charge and therefore whether the chargee is a "holder of a qualifying floating charge in respect of a company's property." Whether the assets that are subject to the floating charges and other security will constitute the whole or substantially the whole of the company's assets at the time that the floating charges are enforced will be a question of fact at that time and there is no statutory guidance as to what percentage of a company's assets should be charged to satisfy this test.

An administrator, receiver (including administrative receiver) or liquidator of the company will generally be required to ring-fence a certain percentage of the proceeds of enforcement of floating charge security for the benefit of unsecured creditors (the "**Prescribed Part**"). This applies to 50% of the first £10,000 of floating charge realizations and 20% of the remainder over £10,000, and the Prescribed Part is subject to a maximum aggregate cap of £800,000 (such cap being effected by the Insolvency Act 1986 (Prescribed Part) (Amendment) Order 2020) (except where the company's net property is available to be distributed to the holder of a first-ranking floating charge created before April 6, 2020, in which case the maximum aggregate cap is £600,000). The Prescribed Part must be made and distributed to unsecured creditors unless the cost of doing so would be disproportionate to the resulting benefits (and, if the floating charge realizations exceed £10,000, the court grants an order on the application of the insolvency officeholder on this basis). The Prescribed Part will not be available for any shortfall claims of secured creditors.

The requirement for an administrator, liquidator or receiver (including administrative receiver) to set aside a prescribed part of the company's property which is subject to a floating charge, and make it available for unsecured creditors, will not apply to any charge created or otherwise arising under a financial collateral arrangement (as described in the Financial Collateral Arrangements (No. 2) Regulations 2003 (SI 2003/ 3226)), as set out below.

Fixed and Floating Charges

There are a number of ways in which fixed charge security has an advantage over floating charge security:

(a) an administrator appointed to a charging company can convert floating charge assets to cash and, where the floating charge is not created or does not otherwise arise under a security financial collateral arrangement, use such cash, or use cash subject to a floating charge, to meet administration expenses (which include the administrator's remuneration and 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; (b) 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 (provided the floating charge has not crystallized at the time the fixed charge was granted and the fixed charge holder has no notice of any restrictions); (c) provided that the floating charge is not created or does not otherwise arise under a security financial collateral arrangement, general costs and expenses (including the liquidator's remuneration) properly incurred in a winding-up are payable out of the company's assets (including the assets that are the subject of the floating charge) in priority to the claims of the floating charge holder; (d) 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; (e) floating charge security may be subject to certain challenges under English insolvency law (see "—*Grant of floating charge*"); and (f) where the floating charge is not created or does not otherwise arise under a security financial collateral arrangement, floating charge security is (i) subject to the expenses of the insolvent estate, (ii) subject to the claims of certain preferential creditors (such as employee, salary claims (up to a cap per employee), employee holiday claims, certain unpaid pension contributions, and VAT and other certain tax debts due to HMRC) and (iii) as noted above, subject to the ring-fencing of the Prescribed Part (as defined herein) for unsecured creditors; (g) an administrator may dispose of or take action relating to property subject to a floating charge without the prior consent of the charge holder or court approval but the floating charge holder retains the same priority in respect of the proceeds from the disposal of the assets subject to the floating charge. With prior approval of the court, an administrator may deal with property subject to a fixed charge, provided that disposing of the property is likely to promote the administration's purpose and that the administrator applies the net proceeds from the disposal of the property in question, together with any additional money required to be added to the net proceeds so as to produce the amount determined by the court as the net amount which would be realized on a sale of the property at market value, towards discharging the obligations of the company to the charge holder.

Under English law there is a possibility that a court could re-characterize fixed security interests purported to be created by an English law governed security document as properly taking effect as floating charges; as the description given to security interests by the parties is not determinative. Whether security interests purporting to be fixed security interests will be upheld as fixed security interests rather than floating security interests will depend on, among other things, whether the chargee has the requisite degree of control over the relevant chargor's ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the chargee in practice. Where the chargor is free to deal with the assets that are the subject of a

purported fixed security interest in its discretion and without the consent of the chargee in the ordinary course, 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.

If any fixed security interests are re-characterized as floating security interests, (a) the proceeds of those assets could be applied in meeting other liabilities of the company in priority to the claims of the purported fixed charge holder in insolvency proceedings and (b) it is possible that any purported floating charge security may no longer relate to the whole or substantially the whole of the property of the relevant company and therefore may not constitute a "qualifying floating charge".

Scheme of Arrangement

Although not an insolvency proceeding, pursuant to Part 26 of the Companies Act 2006, the English courts have jurisdiction to sanction a scheme of arrangement that effects a compromise or arrangement between a company and its creditors (or any class of its creditors) in respect of the company's obligations to those creditors. An English obligor may be able to pursue a scheme in respect of its financial liabilities. In addition, a foreign obligor which (a) is liable to be wound up under the Insolvency Act and (b) has a "sufficient connection" to England and Wales could also pursue a scheme. In practice, a foreign company is likely to satisfy the first limb of this test and the second limb has been found to be satisfied where, amongst other things, the company's COMI is in England, the company's finance documents include (whether at the outset or following an amendment in accordance with the terms of the documents) an English governing law and/or jurisdiction clause. Further, a number of recent schemes have involved groups causing an existing or newly incorporated English company to assume primary liability (through various means) for financial obligations of the group for the sole purpose of creating the requisite nexus to pursue a scheme (in which the obligations of the existing obligors would be varied). Ultimately, each case will be considered on its particular facts and circumstances so previous cases will not necessarily determine whether or not the relevant jurisdictional requirements would be satisfied in the present case.

Before the court considers the sanction of a scheme of arrangement, affected creditors will vote on the proposed compromise or arrangement in respect of their claims in a single class or in a number of classes, depending on the existing rights of such creditors against the scheme company and any new rights that such creditors are given under or in connection with the scheme. Such compromise can be proposed by the company or its creditors. If a majority in number representing 75% or more by value of those creditors present and voting at the meeting(s) of each class of creditors vote in favor of the proposed scheme, irrespective of the terms and approval thresholds contained in the finance documents, then that scheme will (subject to the sanction of the court) be binding on all affected creditors, including those affected creditors who did not participate in the vote and those who voted against the scheme. The scheme then needs to be sanctioned by the court at a sanction hearing where the court will review, amongst other things, whether all relevant procedural requirements have been met, whether those voting fairly represented the interests of those entitled to vote, and whether the scheme is objectively reasonable. The court has discretion as to whether to sanction the scheme as approved, make an order conditional upon modifications being made or reject the scheme. The court's sanction order will have no effect until delivered to Companies House for registration. A scheme of arrangement can often involve the release or

variation of guarantees and other closely connected claims against third parties in order to ensure the effectiveness of the compromise.

Unlike an administration proceeding, the commencement of a scheme of arrangement does not automatically trigger a moratorium with respect to security enforcement or legal proceedings.

Company Voluntary Arrangement

In order to propose a company voluntary arrangement, a company must either (i) be registered in England and Wales or Scotland; or (ii) be incorporated in an EEA State; or (iii) if not incorporated in an EEA State, have its center of main interests in the UK or an EU member state (other than Denmark). Pursuant to Part I of the Insolvency Act, a company (by its directors or its administrator or liquidator, as applicable) may propose a company voluntary arrangement to the company's shareholders and creditors which entails a compromise, or other arrangement, between the company and its creditors, typically a rescheduling or reduction of the company's debts. Provided that the proposal is approved by the requisite majority of creditors (by way of decision procedure) and shareholders (subject to the below), it will bind all unsecured creditors who were or would have been entitled to vote on the proposal. A company voluntary arrangement cannot affect the right of a secured creditor to enforce its security, except with its consent. A company voluntary arrangement also cannot affect the rights of a preferential creditor to be paid in priority to non-preferential creditors, or to be paid on an unequal basis relative to other preferential creditors, except with its consent.

In order for the company voluntary arrangement proposal to be passed, it must be approved by at least 75% (by value) of the company's creditors who respond in the decision procedure, and no more than 50% (by value) of unconnected creditors may vote against it. Secured debt cannot be voted in a company voluntary arrangement but a secured creditor may vote to the extent that it is undersecured. A secured creditor who votes in the company voluntary arrangement for the whole of its debt may be deemed to have given up its security. As noted above, the company's shareholders will also vote on the company voluntary arrangement. However, if the decision of the creditors differs from the decision of the shareholders, the former will prevail unless a shareholder applies to court within 28 days and the court orders that the decision of the shareholders should prevail.

Unlike an administration proceeding, a company voluntary arrangement does not automatically trigger a moratorium with respect to security enforcement or legal proceedings.

Filings

The prescribed particulars in respect of a security document under which an English company purports to create security, together with a certified copy of the security document, should be delivered to the Registrar of Companies within 21 days after the date of creation of the security in accordance with Chapter A1 of Part 25 of the CA06. Failing this, the security created by the security document will (subject as mentioned in the above Chapter) be void against a liquidator or administrator and any creditor of the charging company. The application of the above Chapter to a security interest is subject to the application of the Financial Collateral Regulations. In addition, the following categories of charge are not registrable under the above Chapter (as set out in section

859A(6) of the CA06): (i) a charge in favor of a landlord on a cash deposit given as a security in connection with the lease of land; (ii) a charge created by a member of Lloyd's (within the meaning of the Lloyd's Act 1982) to secure its obligations in connection with its underwriting business at Lloyd's; and (iii) a charge excluded from the application of section 859A of the CA06 by or under any other Act (such as charges that are exempted from registration under the Banking Act 2009). Registration may also determine the order of priority of registrable security interests and may provide notice of a pre-existing security interest for the purpose of priorities.

Enforcement

Enforcement of security and guarantees may be affected by general legal and equitable principles regarding the legality, validity and enforceability of contractual provisions and contractual obligations and liabilities (including guarantees and security).

Assignments

Any assignment of a debt or other chose in action, including by way of security, can only take effect as a legal assignment under section 136 of the Law of Property Act 1925 if it meets the requirements of that provision, which are: (i) the assignment must be in writing under the hand of the assignor; (ii) the assignment must be absolute and not purporting to be by way of charge only; and (iii) notice of the assignment must be given to the underlying obligor. If any of these requirements is not satisfied, the assignment may still constitute a valid equitable assignment. Equitable assignments, including by way of security, are subject to certain limitations, including, without limitation: (i) where an equitable interest is followed by a legal interest, the subsequent legal interest will take priority if the holder acquired it for value without notice of the equitable interest; and (ii) the priority of dealings in most equitable interests is determined by the time at which notice of such interest is given to the underlying obligor or to the person in control of that equitable interest. The first to give notice will take priority, if that person does not have actual or constructive notice of the prior interest and has given consideration for his or her interest.

PSC Regime

Pursuant to Part 21A of the CA06 (and related Schedules 1A and 1B to the CA06), certain UK incorporated companies and limited liability partnerships (for the purposes of this paragraph, each a relevant company) must keep a register of certain registrable individuals and legal entities that have significant control over them. Failure of such registrable individuals or legal entities or other persons specified in Part 21A of (and Schedule 1B to) the CA06 (for the purposes of this paragraph, each a notifying party) to comply with the requirements of that Part may give relevant companies the right to issue a restrictions notice to such notifying party for the purposes of Schedule 1B to the CA06. Subject to certain exceptions, the effect of a restrictions notice is that in respect of any relevant interest in the relevant company (as defined in Schedule 1B to the CA06, for example, a share in the relevant company): (A) any transfer of (or agreement to transfer) the interest is void; (B) no rights are exercisable in respect of the interest; (C) no shares may be issued in right of the interest or in pursuance of an offer made to the interest-holder; and (D) except in a liquidation, no payment may be made of sums due from the relevant company in respect of the interest, whether in respect of capital or otherwise. Such restrictions could adversely affect the validity of the security

interests over the ability of the Security Agent to enforce its rights under the English security documents.

Liquidation/Winding-up

As noted above (see "*—United Kingdom's Withdrawal from the EU*"), the EU Insolvency Regulation (as amended by the Insolvency Amendment Regulations) provides that, in addition to any other grounds to establish jurisdiction that apply under English law, a company which has its COMI in the UK, or which has its center of main interests in a Member State and an establishment in the UK, may be subject to compulsory liquidation or (with confirmation by the court) a creditors' voluntary liquidation in the UK. In the case of compulsory liquidation, even if a foreign company has neither its COMI or an establishment in the UK, it may be wound up as an unregistered company if the court considers there to be (i) a sufficient connection with England and Wales, (ii) a reasonable possibility, if a winding-up order is made, of benefit to those applying for the winding-up order and (iii) one or more persons interested in the distribution of assets of the company is a person over whom the court can exercise a jurisdiction.

Liquidation is a company dissolution procedure under which the assets of a company are realized and distributed by the liquidator to creditors and (if applicable) members in the statutory order of priority prescribed by the Insolvency Act (see "*—Priority on Insolvency*"). Once the liquidator has completed this task, the company is dissolved and removed from the register of companies. There are two forms of winding- up: (a) compulsory liquidation, by order of the court; and (b) voluntary liquidation, whether members' voluntary liquidation or creditors' voluntary liquidation, in each case by resolution of the company's members (save where it follows an administration). The key difference between the two types of voluntary liquidation is whether the directors of the company are willing to swear a statutory declaration as to the company's solvency over the following 12 months (if so, the process is a members' voluntary liquidation). 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 Insolvency Act). Note that while a creditors' voluntary liquidation (other than as an exit from administration) is initiated by a resolution of the members, not the creditors, once in place the process is subject to some degree of control by the creditors. Whereas compulsory liquidation and creditors' voluntary liquidation proceedings are available to foreign companies with sufficient nexus to the UK in addition to companies within the English courts' general jurisdiction (see above), members' voluntary liquidation proceedings are only available to companies registered in England, Wales or Scotland.

The effect of a compulsory winding-up differs in a number of respects from that of a voluntary winding-up. In a compulsory winding-up, under Section 127 of the Insolvency Act, any disposition of the relevant company's property made after the commencement of the winding-up is, unless sanctioned by the court, void. However, this will not apply to any property or security interest subject to a disposition or created or otherwise arising under a "financial collateral arrangement" under the Financial Collateral Regulations (as defined herein) and will not prevent a close-out netting provision taking effect in accordance with its terms. Subject to certain exceptions, when an order is made for the winding-up of a company by the court, it is deemed to have commenced at the time of the presentation of the winding-up petition.

In light of the COVID-19 pandemic, legislation was introduced which temporarily restricts the ability of creditors to present winding-up petitions (and previously restricted courts from granting winding-up orders). With effect from October 1, 2021, the temporary restrictions previously in place expired and were replaced by new more limited regulations (set out in Schedule 10 of the Corporate Insolvency and Governance Act 2020, as amended by the Corporate Insolvency and Governance Act 2020 (Coronavirus) (Amendment of Schedule 10) (No.2) Regulations 2021). These introduced temporary targeted measures to limit the use of winding-up petitions. These measures: (a) raise the threshold upon which a winding up petition may be presented from £750 to £10,000; (b) allow a creditor to present a winding up petition only after expiry of a 21-day period during which the debtor has failed to provide a proposal for repayment satisfactory to the creditor following service of the requisite notice by the creditor; and (c) prevent landlords petitioning to wind up tenants for unpaid rent arrears (or any other amount that a tenant is liable to pay under a lease) arising as a result of coronavirus. The measures will remain in place until March 31, 2022.

Once a winding-up order is made by the court, a stay of all proceedings against the company will also be imposed. No legal action may be continued or commenced against the company without permission of the court although there is no freeze on the enforcement of security.

In the context of a voluntary winding-up, 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 Insolvency Act. There is also no automatic stay in the case of a voluntary winding-up—it is for the liquidator, or any creditor or contributory of the company, to apply for a stay. This is important because, if a stay is not obtained, it means creditors, for example, can go ahead and initiate proceedings against the company (and/or enforce their security).

A liquidator has the power to bring or defend legal proceedings on behalf of the company, to carry on the business of the company as far as it is necessary for its beneficial winding up, to sell the company's property and execute documents in the name of the company and to challenge antecedent transactions.

Under English insolvency law, a liquidator has the power to disclaim any onerous property, which encapsulates any unprofitable contract and any other property of the company that cannot be sold, readily sold or may give rise to a liability to pay money or perform any other onerous act. A contract may be unprofitable if it gives rise to prospective liabilities and imposes continuing financial obligations on the company that may be detrimental to its creditors. However, this power does not apply to a contract that has already been substantially performed, nor can it be used to disturb accrued rights and liabilities. In addition, the power to disclaim onerous property does not apply to any financial collateral arrangement where the collateral provider or collateral taker under the arrangement is subject to winding-up proceedings. Any person who suffers loss or damage as a result of any disclaimer is deemed to be a creditor of the company and is entitled to prove for the loss or debt as a debt in the winding-up.

Priority on Insolvency

One of the primary functions of winding-up (and, where the company cannot be rescued as a going concern, one of the possible functions of administration) under English law is to realize the assets of the company in question and distribute the proceeds from those assets to the company's creditors.

In accordance with the Insolvency Act and the Insolvency Rules 2016, creditors are placed into different classes, with the proceeds from the realization of the insolvent company's property applied in descending order of priority, as set out below. With the exception of the Prescribed Part (as defined herein), distributions generally cannot be made to a class of creditors until the claims of the creditors in a prior-ranking class have been paid in full. Unless creditors have agreed otherwise with the company, distributions are made on a *pari passu* basis, that is, the assets are distributed in proportion to the debts due to each creditor within a class.

As an exception to the principle of *pari passu* distribution, insolvency set-off, which sees an account being taken of what is due from each party to the other in respect of their mutual dealings, and whereby only any net balance owed by the company is provable in the administration or liquidation, will apply in a liquidation or distributing administration. Insolvency set-off is mandatory and automatic as at the date of liquidation or the date on which the administrator has given notice that they intend to make a distribution to creditors. The effect of insolvency set-off is effectively to afford the creditor with a potential super priority status to the extent of the amount owed by that creditor to the company, in that it receives full value for an equivalent amount of its claim against the company (in circumstances where it might otherwise, as an unsecured creditor, receive little or no dividend in respect of that element of its claim). However, insolvency set-off will not apply to all amounts owing between the creditor and debtor company; amongst other things, claims arising after a certain cut-off date will be excluded and the requisite degree of mutuality must exist. Parties cannot waive the application of, or alter the scope or operation of, insolvency set-off by contractual agreement (insolvency set-off will displace all other rights of set-off, including contractual set-off, which have not been exercised before the time at which insolvency set-off applies).

The general priority on insolvency is as follows (in descending order of priority):

- First ranking: holders of fixed charge security (but only to the extent that the value of the secured assets is less than or equal to the value of the secured debt) and creditors with a proprietary interest in assets in the possession (but not full legal and beneficial ownership) of the debtor with respect to the assets in which they have a proprietary interest only;

- Second ranking: where a company exits a moratorium under Part A1 of the Insolvency Act and within the subsequent 12 weeks enters into administration or liquidation, any unpaid moratorium debts (any debt or liability that falls due during or after the moratorium by reason of an obligation incurred during it) and any priority pre-moratorium debts (largely comprising pre-moratorium debts for which the company did not have a payment holiday, save for financial debt accelerated during the moratorium), as well as any prescribed fees or expenses of the official receiver acting

in any capacity in relation to the company. The relevant types of debt do not rank equally and there are statutory provisions setting out the order of priority in which they are paid;

- Third ranking: expenses of the insolvent estate (there are statutory provisions setting out the order of priority in which expenses are paid);

- Fourth ranking: ordinary and secondary preferential creditors.

Ordinary preferential debts include (but are not limited to) debts owed by the insolvent company in relation to: (a) contributions to occupational and state pension schemes; (b) wages and salaries of employees for work done in the four months before the insolvency date, up to a maximum of £800 per person and (c) holiday pay due to any employee whose contract has been terminated, whether the termination takes place before or after the date of insolvency. As between one another, ordinary preferential debts rank equally.

Secondary preferential debts rank for payment after the discharge of the ordinary preferential debts and include VAT, PAYE income tax, employee national insurance contributions and certain other tax debts due to HMRC as set out in section 386 and paragraph 15D of Schedule 6 to the Insolvency Act. As between one another, secondary preferential debts rank equally;

- Fifth ranking: provable debts of unsecured creditors to the extent of the Prescribed Part (as defined herein) only, unless the cost of distributing the same would be disproportionate to the resulting benefit to creditors;

- Sixth ranking: holders of floating charge security, according to the priority of their security. This would include any security interest that was stated to be a fixed charge in the document that created it but which, on proper interpretation by the court, was re-characterized as a floating charge;

- Seventh ranking:

    - firstly, provable debts of unsecured creditors and (to the extent of any unsecured shortfall) secured creditors, in each case including accrued and unpaid interest on those debts up to the date of commencement of the relevant insolvency proceedings. To pay the secured creditors any unsecured shortfall, the insolvency officeholder can only use realizations from unsecured assets as secured creditors are not entitled to any distribution from the Prescribed Part unless the Prescribed Part is sufficient to pay out all unsecured creditors or the secured creditor elects to surrender its security;

    - secondly, interest on the company's unsubordinated debts (at the higher of the applicable contractual rate and the rate determined in accordance with the Judgments Act 1838 (currently 8% per annum)) in respect of any period after the commencement of liquidation or after the commencement of an administration which has been converted into a distributing administration. However, in the case of interest accruing on amounts due under the Notes or

the Guarantees, such interest due to the holders of the Notes may, if there are sufficient realizations from the secured assets, be discharged out of such security recoveries; and

  - thirdly, non-provable liabilities, being liabilities that do not fall within any of the categories above and therefore are only recovered in the (unusual) event that all categories above are fully paid. This, however, does not include "currency conversion" claims following English Supreme Court's ruling dated May 17, 2017 on the *Lehman Brothers* case; and

- Eighth ranking: shareholders. If, after the repayment of all unsecured creditors in full, any remaining funds exist, these will be distributed to the shareholders of the insolvent company.

Subject to the above order of priority, subordinated creditors are ranked according to the terms of the subordination language in the relevant documentation.

See "—*Administration and Floating Charges*" above for a description of the Prescribed Part.

Avoidance of Transactions

There are circumstances under English insolvency law in which the granting by an English company of security or guarantees (amongst other corporate actions) can be challenged. In most cases this will only arise if the company enters administration or liquidation within a specified period (as set out in more detail below) after the granting of the guarantee or security. Therefore, if during the specified period an administrator or liquidator is appointed to an English company, he or she may challenge the validity of the guarantee or security given by such company. Further, the administrator or liquidator may elect to assign such a right of action (including their proceeds) to another party who would then be entitled to pursue it.

Onset of Insolvency

The date of the onset of insolvency, for the purposes of transactions at an undervalue, preferences and invalid floating charges, depends on the insolvency procedure in question. In administration, the onset of insolvency is the date on which (a) the court application for an administration order is submitted, (b) the notice of intention to appoint an administrator is filed at court, or (c) otherwise, the date on which the appointment of an administrator takes effect. In a compulsory liquidation, the onset of insolvency is the date on which the winding-up petition is presented to court, whereas in a voluntary liquidation it is the date on which the company passes a winding-up resolution. Where liquidation follows administration, the onset of insolvency for the purposes of transactions at an undervalue and preferences will be as for the initial administration.

Connected Persons

A connected person, for the purposes of transactions at an undervalue, preferences and invalid floating charges, is a party who is a director, shadow director, an associate of such director, or an associate, of the relevant company. A party is associated with an individual if they are: (i)

the individual’s husband, wife or civil partner; or (ii) a relative of the individual; or (iii) a relative of the individual’s husband, wife or civil partner; or (iv) the husband, wife or civil partner of a relative of the individual; or (v) the husband, wife or civil partner of a relative of the individual’s husband, wife or civil partner. A party is associated with a company if employed by that company. A person is an associate of any person with whom they are in partnership, and of the husband, wife or civil partner or a relative of any individual with whom they are in partnership.

A company is associated with another company if the same person has control of both companies, or a person has control of one and persons who are his associates, or he and persons who are his associates, have control of the other, or if a group of two or more persons has control of each company, and the groups either consist of the same persons or could be regarded as consisting of the same persons by treating (in one or more cases) a member of either group as replaced by a person of whom he is an associate.

A person is to be taken as having control of a company if the directors of the company or of another company which has control of it (or any of them) are accustomed to act in accordance with his directions or instructions, or he is entitled to exercise, or control the exercise of, one third or more of the voting power at any general meeting of the company or of another company which has control of it. Where two or more persons together satisfy either of these conditions, they are to be taken as having control of the company.

The following potential grounds for challenge may apply under English law to guarantees and security interests:

Transaction at an Undervalue

Under English insolvency law, a liquidator or administrator of an English company (or an assignee of the relevant right of action) could apply to the court for an order to set aside the creation of a security interest or a guarantee (or grant other relief) if they believe that the creation of such security interest or guarantee constituted a transaction at an undervalue. A transaction might be 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.

Such a transaction can only be challenged on this basis if (i) at the time of the transaction or as a consequence of the transaction, the English company was or becomes unable to pay its debts (as defined in the Insolvency Act) and (ii) if the security interest or the guarantee was granted within the period of two years ending with the onset of insolvency.

In any proceedings, it is for the administrator or liquidator (or the assignee of the right of action) to demonstrate that the English company was unable to pay its debts unless the transaction was entered into by the company with a connected person (as defined in the Insolvency Act), in which case it will be presumed that the company was insolvent and the connected person must demonstrate the contrary in such proceedings.

In any case, a court will not make an order 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 if the transaction had not been entered into (which could include reducing payments under the guarantee or setting aside any security interests granted of guarantees, although there is protection for a third party that benefits from the transaction and has acted in good faith and for value). An order by the court may affect the property of, or impose any obligation on, any person whether or not they are the person with whom the company entered into the transaction. However, such an order will not prejudice any interest in property which was acquired from a person other than the company in good faith and for value, or prejudice any interest deriving from such an interest, and will not require a person who received a benefit from the transaction in good faith and for value to pay a sum to the liquidator or administrator (or their assignee) except where that person was a party to the transaction or the payment is to be in respect of a preference given to that person at a time when they were a creditor of the company.

Preference

Under English insolvency law, a liquidator or administrator of an English company (or an assignee of the relevant right of action) could apply to the court for an order to set aside the creation of a security interest or a guarantee (or grant other relief) if they believe that the creation of such security interest or such guarantee constituted a preference.

A transaction will constitute a preference if it has the effect of putting a creditor of the English company (or a surety or guarantor for any of the company's debts or liabilities) in a better position in the event of the company going into insolvent liquidation than such creditor, guarantor or surety would otherwise have been in had that transaction not been entered into.

Such a transaction can only be challenged on this basis if (i) at the time of the transaction or as a consequence of the transaction, the English company was or becomes unable to pay its debts (as defined in the Insolvency Act) and (ii) if the security interest or guarantee was granted within the 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) ending with the onset of insolvency.

If the court determines that the transaction constituted such a preference, the court may make such order as it thinks fit for restoring the position 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 security interests or guarantees), subject to the same principles as are described above with respect to transactions at an undervalue. However, the court will only make such an order if it is shown that, in deciding to give the preference, the English company was influenced by a desire to produce the preferential effect. In any proceedings, it is for the administrator or liquidator (or the assignee of the right of action) to demonstrate that the English company was unable to pay its debts at the relevant time and that the company was influenced by a desire to produce the preferential effect, unless the transaction was entered into by the company with a connected person (as defined in the Insolvency Act), in which case it will be presumed that the company was insolvent and that it 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 (it is not open to the connected person to rebut the presumption of insolvency).

Transaction Defrauding Creditors

Under English insolvency law, where it can be shown that a transaction was at an undervalue (as outlined above) and was made for the substantial purpose 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 such a person in relation to the claim which that person is making or may make, 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 any appointed administrator or liquidator, the supervisor of any relevant CVA or, subject to certain conditions, the FCA, PRA and the UK Pensions Regulator. In addition, any person who is, or who is capable of being, prejudiced by the transaction may (with the leave of the court in the case of a company in administration or liquidation) also bring an application to set aside such transaction. There is no time limit within which the challenge must be made (subject to normal statutory limitation periods) and the relevant company does not need to be insolvent at the time or as a result of the transaction, or in administration or liquidation for the provision to apply.

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, which may include reducing payments due under or setting aside security interests or guarantees. The relevant court order may affect the property of, or impose any obligation on, any person, whether or not he or she 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 person other than the debtor company 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.

Extortionate Credit Transaction

An administrator or a liquidator company (or an assignee of the relevant right of action) can apply to court to set aside an extortionate credit transaction. A transaction is "extortionate" if, having regard to the risk accepted by the person providing the credit, the terms of it are (or were) such as to require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of the credit or it otherwise grossly contravened ordinary principles of fair dealing.

Where an administrator or liquidator (or their assignee) makes an application to set aside a transaction on this basis, it is presumed that the transaction is or was extortionate unless otherwise proved. A transaction can only be challenged as an extortionate credit transaction if the company enters into liquidation or administration within three years after the date of the transaction. The court may make an order to set aside, either in whole or in part, any obligation created by the transaction (which could include obligations of sureties). It may also vary the terms of the transaction or the terms of any security for the purposes of the transaction. The court may require any party to the transaction to repay to the liquidator or administrator (or their assignee) sums already paid under the transaction and it may order the surrender of any security held for the purpose of the transaction. It should be noted that there are no provisions for the protection of third

parties who acquire interests in the extortionate credit transaction (e.g., assignees of the benefit of the transaction from the person who provided credit under it).

Grant of Floating Charge

Under English insolvency law, if (i) a floating charge is granted by an English company within the period of one year (if the beneficiary is not a connected person) or two years (if the beneficiary is a connected person) ending with the onset of insolvency and (ii) at the time of granting the floating charge or as a consequence thereof, the English company was or becomes unable to pay its debts (as defined in the Insolvency Act), then such floating charge will be 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 (plus certain interest). The requirement for the English obligor to be insolvent at the time of (or as a result of) granting the floating charge does not apply where the floating charge is granted to a connected person.

No application to court by an administrator or liquidator (or any other person) is required to invalidate (in part or in full) the relevant fixed charge; this will happen automatically if the statutory requirements are fulfilled.

However, if the floating charge qualifies as a "security financial collateral arrangement" under the Financial Collateral Arrangements (No. 2) Regulations 2003 (as amended), the floating charge will not be invalidated on this basis.

As referred to above (see "*—Fixed and Floating Charges*"), note the risk of a fixed charge being re-characterized as a floating charge. If purported fixed charge security that is subsequently re-characterized has been granted within the relevant suspect period referred to above, this could render the charge invalid except to the value of the consideration provided.

Financial Collateral Arrangements (No. 2) Regulations 2003

The Financial Collateral Arrangements (No. 2) Regulations 2003 (SI 2003/3226) (the "**Financial Collateral Regulations**"), apply in respect of certain security interests granted over, and certain title transfer arrangements in, "financial collateral" (together, "**financial collateral arrangements**"). Financial collateral is defined in the Financial Collateral Regulations as cash, financial instruments or credit claims. The definition of "financial instruments" includes shares in companies and debt instruments such as bonds and claims under loans made by credit institutions. The original primary purpose of the Financial Collateral Regulations was to implement Directive 2002/47/EC of the European Parliament and of the Council of June 6, 2002 on financial collateral arrangements (OJ 2002 L168/43) in the UK. The purpose of that directive was to simplify the process of taking financial collateral across the EU by introducing a minimum uniform legal framework.

If an arrangement qualifies as a financial collateral arrangement under the Financial Collateral Regulations, certain modifications or exclusions to English insolvency law apply which (amongst other things) remove restrictions on enforcing security, disapply certain provisions relating to the order of payment of creditors in administration or liquidation and prohibit avoidance by the insolvency office holder of the financial collateral arrangement in certain situations. For

example, security interests to which the Financial Collateral Regulations apply are not required to be registered as a registrable charge at Companies House, and are not subject to the statutory moratorium on enforcement of security that would otherwise apply when a company enters into administration. Furthermore, the Financial Collateral Regulations enable the creditor holding the security interest to appropriate (i.e., to become the absolute legal owner of) the financial collateral to which the security interest applies without the need for a court order provided the security interests have become enforceable in accordance with their terms and provided the creditor has been granted the power to appropriate in the relevant contract.

Corporate Insolvency and Governance Act 2020

On June 26, 2020, the Corporate Insolvency and Governance Act 2020 (the "**Act**") enacted fundamental reforms to the UK's existing insolvency and companies legislation. Some of these measures had been proposed in August 2018 but were fast-tracked through the UK legislative process in response to the COVID-19 pandemic. The measures include (but are not limited to) the following:

(a) Moratorium

The Act introduced a new standalone moratorium under Part A1 of the Insolvency Act to provide companies with a short period of breathing space within which to seek rescue options.

Subject to certain exclusions and meeting requisite conditions, any company that is liable to be wound up under the Insolvency Act is eligible for a moratorium. Ineligible companies include certain financial services companies (including banks, investment banks, insurance and securitization companies as well as parties to capital market arrangements under which a party has incurred or expects to incur a debt of at least £10 million (at any time during the life of the arrangement), including issuers of rated, listed or traded bonds). From October 1, 2021, ineligible companies also include any company that is subject to an insolvency procedure or which has entered into a moratorium, administration or company voluntary arrangement in the preceding twelve months (unless the court orders otherwise). The Guarantors are likely to fall outside the scope of being "eligible companies" for the purposes of the Part A1 moratorium by virtue of the capital markets exclusion. However, the Secretary of State for Trade and Industry may modify the criteria by reference to which a company otherwise eligible for a moratorium is excluded from being so eligible. The position as to whether or not a company is an "eligible company" may also change from time to time.

Subject to what follows, directors of any eligible non-overseas company may commence a moratorium by filing the requisite papers at court. From October 1, 2021, directors must apply to court to commence a moratorium for any eligible company that is subject to a winding-up petition, whereupon the court will consider whether a moratorium will result in a better outcome for creditors as a whole than if the company were wound up without one. Directors of any eligible overseas company must also apply to the court to commence a moratorium.

Both in- and out-of-court processes require a statement from the directors of the company that, in their view, the company is, or is likely to become, unable to pay its debts. Furthermore, a monitor, who is an insolvency practitioner appointed to oversee the moratorium, must separately

confirm (among other things) that the moratorium would likely result in the rescue of the company as a going concern. This is an ongoing requirement in order for a moratorium to continue; indeed, a monitor must terminate the moratorium if, at any time, it becomes apparent that the company is unlikely to be rescued as a going concern.

A company subject to a moratorium has the benefit of a payment holiday in relation to certain debts incurred prior to the commencement of the moratorium. However, certain other debts, including those which arise under a contract or other instrument involving financial services (which would include capital market arrangements) entered into or incurred prior to the moratorium, are exempted from payment holidays and such liabilities are therefore required to be met as and when they fall due. If the monitor thinks that the company is unable to pay such liabilities, plus any debt incurred during the moratorium, which arise or become payable during the moratorium he or she will be compelled to end the moratorium.

During a moratorium, creditors are restricted from taking enforcement measures against the company, including commencing insolvency and other legal proceedings and enforcing security without the permission of the monitor or the court (and an application to court for such permission may not be made for the purpose of enforcing any pre-moratorium debt for which the company has a payment holiday). The Act includes a carve-out for enforcement of security financial collateral (see "*—Administration*," "*—Administration and floating charges*," "*—Grant of floating charge*" and "*—Financial Collateral Arrangements (No. 2) Regulations 2003*" above) or the taking of any step to enforce a collateral security charge, which are permitted. In contrast to a moratorium arising from an administration, a floating charge may not be crystallized during this new moratorium, nor may any restrictions on the disposal of a floating charge asset be imposed.

Costs incurred during a moratorium will be treated in a similar way to expenses in an administration. Where a company exits a moratorium and subsequently enters into administration or liquidation within a 12-week period, any unpaid moratorium debts and any priority pre-moratorium debts, as well as any prescribed fees or expenses of the official receiver acting in any capacity in relation to the company, will have super-priority over any costs or claims in the administration or liquidation (except for claims of fixed charge creditors to the extent such creditors can be paid out of the assets charged and any fees and expenses of the official receiver).

Although the directors remain in full control of the relevant company during the moratorium, the company's activities are subject to oversight by the monitor. In addition, the company may not enter into certain transactions without the consent of the monitor (which the monitor may only give if they think that the relevant transaction will support the rescue of the company as a going concern). These include granting new security, making payments in respect of pre-moratorium debts for which the company has a payment holiday (unless the maximum total amount paid to a person does not exceed the greater of £5,000 or 1% of the company's total unsecured debts at the start of the moratorium), and disposals of property outside the ordinary course.

A moratorium will last for an initial period of 20 business days beginning with the business day after the day on which the moratorium comes into force, which may be extended for a further 20 business days by the directors of the company. Where an extension is proposed, statements from the directors and the monitor must be filed with the court confirming that certain qualifying

conditions continue to be met (repetition by the directors and monitor of statements with respect to the insolvency of the company and prospects of rescue, respectively, and confirmation that all moratorium debts and pre-moratorium debts for which the company does not have a payment holiday have been paid or discharged). Further extensions (beyond 40 business days) will be available:

- pursuant to an out-of-court filing for a period of up to one year from commencement (but with the possibility of multiple extensions), if more than 50% (by value) of secured creditors and more than 50% (by value) of unsecured creditors vote in favor of the extension, unless more than 50% (by number) of unconnected secured creditors or unsecured creditors vote against the extension. Only creditors with pre-moratorium debt in respect of which the company has a payment holiday, which has fallen due or may fall due before the proposed revised end date of the moratorium, will have the right to vote;

- pursuant to an application by the directors to court for such period as the court sees fit;

- automatically in connection with a company voluntary arrangement until the proposal is implemented, accepted or rejected by creditors or withdrawn by the company; and

- at the court's discretion in connection with a scheme of arrangement or restructuring plan (but with the moratorium terminating upon court sanction of the scheme or plan).

(b) Ipso Facto Clauses Prohibited

The Act introduced a permanent prohibition on the enforcement of certain termination clauses, and the imposition of certain amended terms, by a supplier in contracts for goods and services which would have been triggered by the commencement of insolvency proceedings against the counterparty company. Such proceedings include a company voluntary arrangement, winding-up and administration, as well as the new moratorium and restructuring plan. Other rights to terminate under the contract (i.e., other than by reason of the counterparty's insolvency) are preserved, save to the extent that the event entitling the supplier to terminate the contract arose before commencement of the insolvency proceeding (in which case the right to terminate is suspended until the relevant insolvency proceeding, or any immediately succeeding insolvency proceeding, comes to an end). A supplier cannot make it a condition of continued supply during the relevant insolvency proceeding that any outstanding charges in respect of prior supplies are paid. A supplier may be allowed to terminate the contract if the company or the relevant insolvency practitioner consents, or if the court permits (where it is satisfied that the continuation of the contract would cause the supplier hardship). Financial services contracts and entities involved in financial services (amongst other types of excluded contracts and parties) are not affected by this new prohibition.

(c) Restructuring Plan

The Act also provides for a new restructuring process, similar to a scheme of arrangement under the Companies Act 2006, but with a "cross-class cram-down" power that can be used to bind one or more dissenting classes of stakeholders (not only a dissenting minority within a class) to

the proposed restructuring plan. Like a scheme, the new standalone restructuring plan is available to any company that is liable to be wound up under the Insolvency Act with a sufficient connection to the UK, save that the Secretary of State may by secondary legislation exclude certain types of company (including, in particular, financial market participants) from time to time. In most situations, the company itself will propose the restructuring plan but its members or creditors may also do so (as can an administrator or liquidator appointed to the company).

Unlike a scheme, there is a further threshold condition that the company must: (i) have encountered, or be likely to encounter, financial difficulties that are affecting, or will or may affect, its ability to carry on business as a going concern; and (ii) have proposed a compromise or arrangement with its creditors or members for the purpose of eliminating, reducing, preventing or mitigating such financial difficulties. Although the "financial difficulties" test falls short of requiring the company to be, or likely to become, insolvent (i.e. unable to pay its debts within the meaning of Section 123 of the Insolvency Act), recent case law indicates that restructuring plans (unlike schemes) will be considered as insolvency proceedings for the purposes of the Lugano Convention.

The process closely resembles that for schemes of arrangement, whereby a proposed restructuring plan must be filed at court as part of the proponent's application to convene a meeting of the relevant creditors and/or members (or classes thereof). At the convening hearing, the court will examine the proposed classes of stakeholders and whether it has jurisdiction to sanction the proposed restructuring plan. As with a scheme, it is for the proponent to determine whether the creditors and/or members should be divided into multiple classes, and the same class composition test applies. Creditors and members whose rights would be affected by the compromise or arrangement must be permitted to participate in a meeting to vote on the restructuring plan, unless the court is satisfied that they have no genuine economic interest in the company (which the court will determine by reference to the "relevant alternative," being whatever the court considers would be most likely to occur in relation to the company if the restructuring plan were not sanctioned). Equally, creditors whose rights are not being compromised under the restructuring plan can be excluded from voting. However, there must be legitimate commercial reasons for excluding them from the scope of the plan and full disclosure must be made. If the court is satisfied that it has jurisdiction, it will order a meeting of the relevant creditors and/or members (or classes thereof) to vote on the proposed restructuring plan. Details of such meeting(s) must be sent to every stakeholder in each class, accompanied by details of the plan and directors' material interests in the company.

The proposed restructuring plan will be voted on at the meeting(s) of the relevant creditors' and/or members (or classes thereof), and approved if the required majority of 75% by value of the creditors or members, or class of creditors or members, present and voting either in person or by proxy, vote in favor of it. In contrast to a scheme of arrangement, there is no requirement that a majority in number must also vote in favor of the plan. Where a convening application is made within 12 weeks after the end of the new standalone moratorium, any creditors in respect of "moratorium debts" and "priority pre-moratorium debts" may not participate in the vote and may not be compromised under the plan without their consent.

Following the meeting(s), a sanction hearing will be held. Here, the court will consider if the necessary plan requirements have been met and decide whether to sanction the restructuring

plan. The court has discretion to sanction a plan even if the requisite majority of one or more classes of creditors or members did not vote in favor of it, thereby "cramming-down" dissenting classes, if:

(a) the court is satisfied that no member of the dissenting class(es) would be worse off if the restructuring plan were sanctioned than they would be in the "relevant alternative" (i.e. what the court considers to be the most likely alternative scenario were the plan not sanctioned); and

(b) the restructuring plan has been approved by a number representing 75% by value of a class of creditors or members who would receive a payment, or have a genuine economic interest in the company, in the event of that "relevant alternative" scenario.

A restructuring plan sanctioned by the court will be binding on all affected parties, whether they voted in favor of it or not. The court's sanction order will have no effect until delivered to Companies House for registration (or, in the case of an overseas company not otherwise required to register particulars, published in the Gazette).

(d) So-called "Henry VIII" powers

The Act (as amended by the Corporate Insolvency and Governance Act 2020 (Coronavirus) (Change of Expiry Date) Regulations 2021) further confers on the UK government some extensive powers to make a range of further amendments to corporate insolvency and governance legislation under delegated regulations until April 29, 2022. For example, regulations may be made to amend or modify the conditions that must be met before an insolvency procedure applies to certain entities, or the way in which the procedure applies, or to change or disapply a person's corporate duties and liabilities.

Foreign Currency

Under English insolvency law, where creditors are asked to submit formal proofs of claim for their debts, the office-holder will convert all foreign currency denominated proofs of debt into pounds sterling at a single rate for each currency determined by the office-holder by reference to the exchange rates prevailing on the "relevant date" (generally speaking, being the date on which the company entered administration or liquidation). This provision overrides any agreement between the parties. If a creditor considers the rate to be unreasonable, they may apply to the court.

Accordingly, in the event that an English obligor goes into liquidation or administration, holders of the Notes may be subject to exchange rate risk in respect of the non-sterling amount proved between the date on which such English obligor goes into liquidation or administration and the date of receipt of any amounts to which such holders of the Notes may become entitled. The English Supreme Court's ruling in the *Lehman Brothers* case established that any such holder of the Notes would not be entitled to make a claim for any losses suffered by them as a result of a fall in the value of pounds sterling between the "relevant date" and the date of any distribution.

Foreign Laws

If, and to the extent that, an asset subject to security under a security document (or the obligor of any debt or other right against any person, which debt or right constitutes all or part of the property or rights subject to that security) is located in any jurisdiction other than England and Wales or is not governed by English law, the validity, priority and enforceability of that security may be affected by any applicable foreign laws.

Third Party Rights

Security granted over debts from, or other rights against, third parties (including contracts and insurance policies) may be subject to any rights of those third parties.

Amendments

An English court may interpret restrictively any provision purporting to allow the beneficiary of a guarantee or other suretyship to make a material amendment to the obligations to which the guarantee or suretyship relates without further reference to the guarantor or surety.

Security over Shares

Security over shares granted by an English obligor or over shares of the English obligor are typically, under English law, equitable charges, not legal charges. An equitable charge arises where a chargor creates an encumbrance over the property in favor of the chargee but the chargor retains legal title to the shares. Remedies in relation to equitable charges may be subject to equitable considerations or may otherwise be at the discretion of the court.

The validity of share security and the ability of secured parties to enforce security interests over shares may additionally be affected by a failure of the charging company or related parties or (in certain circumstances) the secured parties to comply within the relevant timeframes with the disclosure and notification obligations under English company statutes in respect of persons with significant control and relevant legal entities.

Limitation on Enforcement

The grant of a guarantee or security by an English company in respect of the obligations of another group company must satisfy certain legal requirements. More specifically, such a transaction must be allowed by the respective company's memorandum and articles of association. To the extent that the above do not allow such an action, there is the risk that the grant of the guarantee and the subsequent security can be found to be void and the respective creditor's rights unenforceable. Some comfort may be obtained for third parties if they are dealing with an English company in good faith; however, the relevant legislation is not without difficulties in its interpretation. Further, corporate benefit must be established for each English company in question by virtue of entering into the proposed transaction. Section 172 of the Companies Act 2006 provides that a director must act in the way that he or she considers, in good faith, would be most likely to promote the success of the English company for the benefit of its members as a whole. If the directors enter into a transaction where there is no or insufficient commercial benefit, they may

be found to be abusing their powers as directors and such a transaction may be vulnerable to being set aside by a court.

Cross-border recognition of English insolvency and restructuring proceedings

General position

The recognition of English insolvency and restructuring proceedings in other jurisdictions is governed by applicable treaties in respect of the mutual recognition (or otherwise) of courts' jurisdiction, proceedings and judgments and general principles of private international law such as comity and conflicts of laws rules applicable in the relevant jurisdictions.

One of the key insolvency-related treaties is the Model Law, which has been adopted in a number of jurisdictions, including the United States and the UK, where it was implemented by the Cross-Border Insolvency Regulations. The Model Law provides for recognition of certain UK insolvency proceedings in other signatory states as either foreign main proceedings (if the COMI of the relevant debtor is determined to be in the UK) or foreign non-main proceedings (if the COMI is determined to be in another jurisdiction but the debtor has an establishment in the UK) upon application by the relevant insolvency officeholder. The nature and scope of the recognition will depend on the way that the Model Law has been implemented into the domestic law of the jurisdiction in question. Conversely, the Cross-Border Insolvency Regulations provide for recognition in the UK of foreign insolvency proceedings as either main proceedings (if the proceedings are taking place in the jurisdiction where the debtor has its COMI) or non-main proceedings (if the proceedings are taking place in a jurisdiction in which the debtor has only an establishment).

The recognition of English courts' jurisdiction and orders in respect of schemes of arrangement, which are not regarded as insolvency proceedings, will be subject to treaties regarding matters relating to the jurisdiction of courts in civil proceedings and the enforcement of civil judgments such as the Hague Convention on Choice of Court Agreements 2005 (the "**Hague Convention**") and the Lugano Convention 2007 (the "**Lugano Convention**") (subject to the UK's pending application to accede to the latter) where these apply. In addition, recognition may still be available under principles of private international law and Regulation (EC) No 593/2008 of the European Parliament and of the Council of June 17, 2008 on the law applicable to contractual obligations ("**Rome I**").

The recognition of English courts' jurisdiction and orders in respect of restructuring plans is a developing area of law. It remains to be seen whether restructuring plans will fall within the scope of treaties regarding matters relating to the jurisdiction of courts in civil proceedings and the enforcement of civil judgments such as the Hague Convention and the Lugano Convention, or whether they will be treated more akin to insolvency proceedings and fall within related exceptions to such treaties (the one case to date in which this point has been considered adopted the latter position).

Recognition in the EU

Following the UK's departure from the EU and the expiry of the transition period, UK proceedings no longer benefit from automatic and guaranteed recognition in EU member states.

As the trade and cooperation terms agreed between the EU and the UK do not include a replacement regime for the current automatic recognition of UK insolvency procedures across the EU (and vice versa) or otherwise address insolvency matters, cross-border insolvencies involving the UK and one or more EU member states will be subject to a degree of uncertainty and increased complexity.

Unless or until a mutual recognition agreement is reached in the future, it is likely to be more problematic for UK restructuring and insolvency proceedings to be recognized in EU member states and for UK office holders to effectively deal with assets located in EU member states. The general position outlined above will apply and recognition will depend on the private international law rules adopted in the relevant EU member state and the need may well arise to open parallel proceedings, increasing the element of risk as well as costs. In particular in cases where the appointment of a UK office holder is made in reliance on a UK domestic approach rather than COMI rules, it is much less certain that such appointment will be recognized in other EU member states. To the extent relevant proceedings are deemed to fall within the remit of contract law, Rome I may offer an alternative basis for recognition in EU member states.

As a consequence, the recognition of English insolvency and restructuring proceedings across the EU member states may be different from what investors may have experienced in the past when the UK was a member state of the EU. It is not possible to predict with certainty if and to what extent proceedings will be recognized and whether investors may be adversely affected as a result.

Jersey

Insolvency

Arrow SMA GP Limited and Arrow Global SMA I LP (the "**Jersey Guarantors**") are incorporated and established under the laws of Jersey. Consequently, in the event of an insolvency of either of the Jersey Guarantors, insolvency proceedings may be initiated in Jersey. There are two principal regimes for corporate insolvency in Jersey: "*en désastre*" and winding up (including just and equitable winding up and creditors' winding up). The principal type of insolvency procedure available to creditors under Jersey law is the application for an Act of the Royal Court of Jersey (the "**Royal Court**") under the Bankruptcy (*Désastre*) (Jersey) Law 1990, as amended (the "**Jersey Bankruptcy Law**") declaring the property of a debtor to be "*en désastre*" (a "**declaration**"). On a declaration of "*en désastre*," title and possession of the property of the debtor vests automatically in the Viscount, an official of the Royal Court (the "**Viscount**"). With effect from the date of declaration, a creditor has no other remedy against the property or person of the debtor, and may not commence or, except with the consent of the Viscount or the Royal Court, continue any legal proceedings to recover the debt. With effect from the date of declaration, a secured party may, however, without the consent of the Viscount and without an order of the Royal Court, exercise any power of enforcement it may have under Part 7 (Enforcement of Security Interests) of the Security Interests (Jersey) Law 2012 (the "**2012 Law**"). To the extent that the proceeds of such enforcement are insufficient to discharge liabilities owed, that secured party has no other remedy against the property or person of the debtor, and may not commence any legal proceedings or, except with the consent of the Viscount or the Royal Court, continue any legal proceedings to recover the balance of the debt.

Additionally, the shareholders of a Jersey company (but not its creditors) can instigate a winding up of an insolvent company, which is known as a "creditors' winding up" pursuant to Chapter 4 of Part 21 of the Companies (Jersey) Law 1991, as amended (the "**Jersey Companies Law**"). On a creditors' winding up, a liquidator is nominated by the shareholders. The creditors may approve such a liquidator or apply to appoint a different liquidator. The liquidator will stand in the shoes of the directors and administer the winding up, gather assets, make appropriate disposals of assets, settle claims and distribute assets as appropriate. After the commencement of the winding up, no action can be taken or continued against the company except with the leave of the Royal Court. The shareholders must give creditors 14 days' notice of the meeting to commence the creditors' winding-up. After the commencement of the creditors' winding up, a secured party may, however, without the sanction of a liquidator and without an order of the court, exercise any power of enforcement it may have under Part 7 (Enforcement of Security Interests) of the 2012 Law. To the extent that the proceeds of such enforcement are insufficient to discharge liabilities owed, the secured party has no other remedy against the company without leave of the Royal Court. The corporate state and capacity of the company continues until the end of the winding up procedure, when the company is dissolved.

The Jersey Companies Law requires a creditor of a company (subject to appeal) to be bound by an arrangement entered into by the company and its creditors immediately before or in the course of its winding up if (among others) three quarters in number and value of the creditors acceded to the arrangement.

Compromises and arrangements with creditors

Although not an insolvency proceeding, under Article 125 of the Jersey Companies Law, the Royal Court may sanction a compromise or arrangement (a "**Scheme**") between a Jersey company and its creditors or shareholders (or a class of either of them). The Royal Court may, on application of the company (or a creditor or shareholder or, if the company is being wound up, a liquidator), order a meeting to be called at which the proposed Scheme must be agreed to by a majority in number representing:

- 75% in value of the creditors (or class of creditors); or
- 75% of the voting rights of the shareholders (or class of shareholders),

as the case may be, present and voting either in person or by proxy before the Royal Court considers the sanction of the Scheme. If the requisite majority of creditors or shareholders (or of the relevant class of either of them) agree to the Scheme and, following such agreement, the Royal Court sanctions the Scheme, the Scheme is binding on all creditors or shareholders (or on the relevant class of either of them) and on the company (or any liquidator and contributories of the company if the company is being wound up).

Transactions at an undervalue

Under Article 17 of the Jersey Bankruptcy Law and Article 176 of the Jersey Companies Law, the Royal Court may, on the application of the Viscount (in the case of a company whose property has been declared "*en désastre*") or liquidator (in the case of a creditors' winding up, a

procedure which is instigated by shareholders not creditors), set aside a transaction (including any guarantee or security interest) entered into by a company with any person (the "**other party**") at an undervalue. There is a five-year look-back period from the date of commencement of the winding up or declaration of "*en désastre*" during which transactions are susceptible to examination pursuant to this rule (the "**relevant time**"). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction at an undervalue, the operation of the relevant time and the effect of entering into such a transaction with a person connected with the company or with an associate of the company.

Preferences

Under Article 17A of the Jersey Bankruptcy Law and Article 176A of the Jersey Companies Law, the Royal Court may, on the application of the Viscount (in the case of a company whose property has been declared "*en désastre*") or liquidator (in the case of a creditors' winding up), set aside a preference (including any guarantee or security interest) given by the company to any person (the "**other party**"). There is a 12-month look-back period from the date of commencement of the winding up or declaration of "*en désastre*" during which transactions are susceptible to examination pursuant to this rule (the "**relevant time**"). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a preference, the operation of the relevant time and the effect of entering into a preference with a person connected with the company or with an associate of the company.

Extortionate transactions, onerous property, disclaimer and customary law fraudulent dispositions

Under Article 17C of the Jersey Bankruptcy Law and Article 179 of the Jersey Companies Law, the Royal Court may, on the application of the Viscount (in the case of a company whose property has been declared "*en désastre*") or liquidator (in the case of a creditors' winding up), set aside a transaction providing credit to the debtor company which is or was extortionate. There is a three-year look-back period from the date of commencement of the winding up or declaration of "*désastre*" during which transactions are susceptible to examination pursuant to this rule. The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction which is extortionate.

Under Article 15 of the Jersey Bankruptcy Law, the Viscount may within six months following the date of the declaration of "*en désastre*" and under Article 171 of the Jersey Companies Law, a liquidator may within six months following the commencement of a creditors' winding up, disclaim any onerous property of the company. "Onerous property" is defined to include any moveable property, a contract lease or other immoveable property if it is situated outside of Jersey that is unsaleable or not readily saleable or is such that it might give rise to a liability to pay money or perform any other onerous act, and includes an unprofitable contract.

A disclaimer operates to determine, as of the date it is made, the rights, interests and liabilities of the company/debtor in or in respect of the property disclaimed and discharges the company/Viscount from all liability in respect of the property as of the date of the commencement of the creditors' winding up/from the date of the declaration but shall not, except so far as is

necessary for the purpose of releasing the company/debtor from liability, affect the rights or liabilities of any other person. A person sustaining loss or damage as a result of a disclaimer is deemed to be a creditor of the company to the extent of the loss or damage and shall have standing as a creditor in the "*en désastre*" or creditors' winding up. The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) in relation to the power to disclaim onerous property.

In addition to the Jersey statutory provisions referred to above, there are certain principles of Jersey customary law (for example, a Pauline action) under which dispositions of assets with the intention of defeating creditors' claims may be set aside.

Enforcement of security and security in insolvency

Under the laws of Jersey, a person incorporated, resident or domiciled in Jersey is deemed to have capacity to grant security governed by foreign law over property situated outside Jersey, but to the extent that any floating charge or other security interest governed by a foreign law is expressed to apply to any asset, property and undertaking of a person incorporated, resident or domiciled in Jersey such floating charge or other security interest is not likely to be held valid and enforceable by the Jersey courts in respect of Jersey situs assets. The Insolvency Act 1986 (either as originally enacted or as amended, including by the provisions of the Enterprise Act 2002) does not apply in Jersey and receivers, administrative receivers and administrators are not part of the laws of Jersey. Accordingly, the Jersey courts may not recognize the powers of an administrator, administrative receiver or other receiver appointed in respect of Jersey situs assets.

The Royal Court (in its inherent jurisdiction) may, however, under Article 49(1) of the Jersey Bankruptcy Law assist the courts of prescribed countries and territories and, applying general principles of comity, assist the courts in other jurisdictions, in all matters relating to the insolvency of any person to the extent that the Royal Court think fit. Further, in doing so, the Royal Court may have regard to the UNCITRAL model law, even though the model law has not been (and is unlikely to be) implemented as a separate law in Jersey.

If insolvency proceedings have been commenced in another jurisdiction in relation to the company, the nature and extent of the cooperation from Jersey is likely to depend on the nature of the requesting country's insolvency regime.

In the case of both statutory and non-statutory requests for assistance, it should be noted that the UNCITRAL provisions will not automatically be followed as this is a matter for the discretion of the Royal Court. The Royal Court's position may also not be in accordance with Regulation (EU) 2015/848 (the "**Recast Insolvency Regulation**"). Jersey does not form part of the EU for the purposes of implementation of its directions. Accordingly, the Recast Insolvency Regulation does not apply as a matter of Jersey domestic law and the automatic test of center of main interests does not apply.

Enforcement of a security interest against a Jersey company may be further limited by bankruptcy, insolvency, liquidation, dissolution, re-organization or other laws of general application relating to or affecting the rights of creditors, and laws in relation to transactions at an

undervalue, preferences, extortionate credit transactions, disclaimer of onerous property and fraudulent dispositions also apply in Jersey.

Under Jersey law, security over Jersey situs assets is created in accordance with the provisions of Jersey law. The Jersey situs assets of H.I.J. Limited will be secured pursuant to Jersey law governed security interest agreements. The 2012 Law provides that a secured party may enforce security over intangible movable assets by way of sale or appropriation of the collateral or proceeds. In addition, a secured party may take certain ancillary actions, including any bespoke enforcement powers included in a security agreement, to the extent not in conflict with the 2012 Law. More than one enforcement option can be taken, and taking one or more of the enforcement options specified above does not preclude the exercise of other rights of a secured party. The power of enforcement is exercisable once an event of default has occurred and written notice specifying the event of default has been served on the grantor by the secured party. If enforcement is by way of sale or appropriation, the secured party must give the grantor 14 days' prior written notice. Importantly, the grantor may agree in writing to waive its right to notice of appropriation or sale and it is usual to include such a waiver in the security agreement. The secured party is obliged on sale or appropriation, to give at least 14 days' prior written notice to: (i) any person who, 21 days before the sale or appropriation, has a registered security interest in the collateral; and (ii) any person other than the grantor who has an interest in the collateral and has, not less than 21 days before the sale or appropriation, given the secured party notice of that interest unless, in each case, the secured party and such person have otherwise agreed in writing.

There are specific carve-outs from the obligation to give notice of sale. On exercising the power of enforcement by appropriation or sale, the secured party must: (i) take all commercially reasonable steps to determine or, in the case of a sale, obtain the fair market value of the collateral, as at the time of the relevant appropriation or sale; (ii) act in a commercially reasonable manner in relation to the appropriation or sale; and (iii) (in the case of a sale only) enter into any agreement for or in relation to the sale only on commercially reasonable terms. The duty of the secured party is owed to the grantor and also to any other person to whom the secured party was required to give notice of sale or appropriation (whether or not they have agreed in writing to waive the notice requirements). If, in exercising its powers of enforcement, a secured party appropriates or sells collateral, it must, within 14 days after the day on which the collateral is appropriated or sold, give certain persons (any person with a registered subordinate security interest and certain persons claiming an interest in the collateral) a written statement of account setting out certain information in relation to that appropriation or sale. If a secured party has sold or appropriated the collateral and the net value or proceeds of appropriation or sale (as appropriate) of the collateral exceeds the amount of the debt owed to the secured party, the secured party shall pay the amount of any resulting surplus in the following order: (i) in payment, in due order of priority, to any person who has a subordinate security interest in the collateral and has registered a financing statement over that security interest (where the registration remained effective immediately before the appropriation or sale); (ii) in payment to any other person (other than the grantor) who has given the secured party notice that that person claims an interest in the collateral and in respect of which the secured party is satisfied that that person has a legally enforceable interest in the collateral; and (iii) as to the balance (if any) in payment to the relevant debtor grantor. Alternatively, the secured party may discharge its obligation above with respect to any surplus by paying that amount into the Royal Court. The surplus may then only be paid out on the order of the court on application by a person entitled to the surplus.

Jersey limited partnerships

The Jersey law on limited partnerships is set out in Limited Partnerships (Jersey) Law 1994, as amended (the "**Jersey Limited Partnerships Law**") and a limited partnership established under the Jersey Limited Partnerships Law (excluding an incorporated limited partnership established under the Incorporated Limited Partnerships (Jersey) Law 2011 and a separate limited partnership established under the Separate Limited Partnerships (Jersey) Law 2011) is a "**Jersey Limited Partnership**"). Article 40 of the Jersey Limited Partnerships Law provides that the rules of customary law applicable to partnerships shall apply to Jersey Limited Partnerships except in so far as they are inconsistent with the express provisions of the Jersey Limited Partnerships Law. There is no Jersey equivalent to the UK Partnerships Act 1890 and so Jersey partnership law is derived from the common or customary law applicable to general partnerships.

Although a Jersey Limited Partnership is registered with the Registrar of Limited Partnerships in Jersey, the Jersey Limited Partnership is not a separate legal person nor a body corporate. Therefore all actions and proceedings against a Jersey Limited Partnership must be commenced against the general partner in its capacity as general partner of the Jersey Limited Partnership, and not against any limited partner or against the Jersey Limited Partnership itself (without reference to the general partner).

As a Jersey Limited Partnership is not a separate legal person, its insolvency (defined in Article 2 of the Jersey Limited Partnerships Law as the general partner being unable to discharge the debts of the Jersey Limited Partnership as they fall due out of the assets of the Jersey Limited Partnership, without recourse to the general assets of the general partner) will not lead to the commencement of *en désastre* or creditors' winding up proceedings in respect of the Jersey Limited Partnership. Please see paragraph below for a summary of the provisions of the Jersey Limited Partnerships Law relating to dissolution of a Jersey Limited Partnership.

However, assuming the general partner is the sole general partner of the Jersey Limited Partnership, given the unlimited liability of the general partner to meet the liabilities and obligations of the Jersey Limited Partnership, the insolvency of the general partner (by way of *en désastre* or creditors' winding up proceedings in respect of the general partner) will usually follow the insolvency of the Jersey Limited Partnership.

The Jersey Limited Partnerships Law provides that a Jersey Limited Partnership shall be dissolved upon the dissolution, bankruptcy or withdrawal from the Jersey Limited Partnership of the sole or last general partner (but not, subject to the provisions of the Jersey Limited Partnership agreement, a limited partner). In such circumstances, the Jersey Limited Partnership shall be wound up in accordance with the terms of the limited partnership agreement or on the application of a limited partner or a creditor of the Jersey Limited Partnership in accordance with the directions of the Royal Court.

It should be noted that a Jersey Limited Partnership will not be wound up as referred to above if within 90 days of its dissolution, the limited partners (either unanimously or as provided for in the Jersey Limited Partnership agreement) elect one or more replacement general partners. In such circumstances, the Limited Partnership shall be deemed to not have been dissolved and the

activities of the Jersey Limited Partnership may be taken over and continued as provided for in the limited partnership agreement or a subsequent agreement.

Under the Jersey Limited Partnerships Law, the Royal Court may order the dissolution of a Jersey Limited Partnership on the application of any partner if the Royal Court is satisfied that:

(a) the Jersey Limited Partnership is being conducted in a manner calculated or likely to affect prejudicially the carrying out of the activities of the Jersey Limited Partnership;

(b) the Jersey Limited Partnership is being conducted in a manner oppressive to one or more of the limited partners; or

(c) circumstances have arisen which render it just and equitable that the Jersey Limited Partnership be dissolved.

Where the Royal Court makes an order in accordance with this paragraph, it may give such directions as it thinks fit as to the winding up of the Jersey Limited Partnership.

Upon the dissolution of a Jersey Limited Partnership, its affairs shall be wound up by the general partner unless the activities of the Jersey Limited Partnership are taken over and continued as referred to above or the Royal Court has given directions as to how the Jersey Limited Partnership should be wound up.

The Jersey Limited Partnerships Law provides that the assets of a Limited Partnership shall be distributed in the following order after the dissolution of a Jersey Limited Partnership:

(a) firstly, to the creditors (other than limited partners on account of their contribution or profit and general partners) of the Jersey Limited Partnership in satisfaction of the Jersey Limited Partnership’s debts;

(b) secondly, to limited partners who are creditors and who are not also general partners in satisfaction of the Jersey Limited Partnership’s debts to them (other than debts described in paragraph (c) below);

(c) finally, subject to the provisions of the limited partnership agreement, to the partners as follows:

   (i) firstly, to general partners other than for capital and profits;

   (ii) secondly, to limited partners in respect of the capital of their contributions;

   (iii) thirdly, to limited partners in respect of their share of the profits on their contributions;

   (iv) fourthly, to general partners in respect of capital; and

   (v) finally, to general partners in respect of profits.

The general insolvency and dissolution provisions under the Jersey Limited Partnerships Law relating to Jersey Limited Partnerships established in Jersey are subject to a number of specific exceptions.

Jersey guarantee limitations

The Indenture will provide that any right which at any time either Jersey Guarantor has under the existing or future laws of Jersey, whether by virtue of the *droit de discussion* or otherwise, to require that recourse be had to the assets of any other person before any claim is enforced against such Jersey Guarantor, in respect of its obligations under the Indenture, will be irrevocably and unconditionally abandoned and waived.

The Indenture will also provide that any right which at any time either Jersey Guarantor may have under the existing or future laws of Jersey, whether by virtue of the *droit de division* or otherwise, to require that any liability under the Indenture be divided or apportioned with any other person or reduced in any manner whatsoever will be irrevocably and unconditionally abandoned and waived.

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 Guernsey Court 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 Guernsey Court 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 Guernsey Court 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 Guernsey Court 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 Guernsey Court thinks proper, unless upon the insolvent winding up becoming inevitable such director took every step to minimize potential loss to the company's creditors, which that director ought reasonably to have taken, taking into account the skills expected of a person carrying on such functions carried out by that director and the actual knowledge, skill and experience of that director.

Preferences

In Guernsey, if a liquidator can show that a company has given a "preference" to any person after the commencement of a period of six months immediately preceding the start of the winding up proceedings (or two years if the preference is to a connected person) and at the time of giving the preference such company was unable to pay its debts or became as a result of giving the preference unable to pay its debts, the Guernsey Court 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 Guernsey Court 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 Guernsey Court 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 Guernsey Court is satisfied that a company does not satisfy or is likely to become unable to satisfy the "solvency test" prescribed by the Companies (Guernsey) Law, 2008, as amended and considers that the making of an administration order may achieve either:

- the survival of the company, and the whole or any part of its undertaking, as a going concern; or
- a more advantageous realization of the company's assets than would be effected on a winding up.

An administration order may be applied for by a company itself, the directors of the company, any member of the company, any creditor of the company (including any prospective or contingent creditor), the GFSC in respect of supervised companies and companies engaged in financial services business or, in the case of a company in respect of which the Guernsey Court 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 Guernsey Court and subject to such terms and conditions as the Guernsey Court 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 Guernsey Court. In addition, the leave of the Guernsey Court 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 Guernsey Court, 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 Guernsey Court and subject to such terms and conditions as the Guernsey Court 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 Guernsey Court for an order that the arrangement be set aside. The Guernsey 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 Guernsey Court if the company, among others: has by special resolution resolved that it be wound up by the Guernsey Court; 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 Guernsey Court 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 Guernsey Court for an order restraining, on such terms and conditions as the Guernsey Court 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 Guernsey Court.

The Netherlands

Insolvency

Where a company has its "center of main interests" or an "establishment" in the Netherlands it may be subject to Dutch insolvency proceedings governed by Dutch insolvency laws, subject to certain exceptions provided for in Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (recast), as amended. Certain of the Guarantors have their corporate seat in the Netherlands (i.e., the Dutch Guarantors) and it is therefore presumed (subject to proof to the contrary) that they have their "center of main interests" in the Netherlands. Dutch insolvency laws may not be as favorable to your interests as creditors as the insolvency laws of other jurisdictions. The following is a brief description of certain aspects of Dutch insolvency law.

There are two primary insolvency regimes under Dutch law in relation to debtors (excluding natural persons). The first, moratorium of payments (*surseance van betaling*), is intended to facilitate the reorganization of a debtor's indebtedness and enable the debtor to continue as a going concern. The second, bankruptcy (*faillissement*), is primarily designed to liquidate and distribute the proceeds of the assets of a debtor to its creditors. Both insolvency regimes are set forth in the Dutch Bankruptcy Act (*Faillissementswet*). In practice, bankruptcy proceedings may also be used to sell the business, or parts of the business, as a going concern. As such, a bankruptcy could function as a restructuring procedure as well as a liquidation procedure. A general description of the principles of both insolvency regimes is set out below. Furthermore, as of January 1, 2021, debtors have the possibility under a pre-insolvency regime plan to offer a composition outside of formal insolvency proceedings, see further under "—*Dutch Scheme*" below.

An application for a moratorium of payments can only be made by the debtor itself. Once the request for a moratorium of payments is filed, the court will immediately (*dadelijk*) grant a

provisional moratorium and appoint an administrator (*bewindvoerder*). A meeting of creditors is required to decide on the definitive moratorium. If a draft composition (*ontwerp akkoord*) is filed simultaneously with the application for a moratorium of payments, the court can order that the composition be processed before a decision about a definitive moratorium is made. If the composition is accepted and subsequently confirmed by the court (*gehomologeerd*), the provisional moratorium ends. The definitive moratorium will generally be granted unless a qualified minority (more than one-quarter in amount of claims held by creditors represented at the creditors' meeting or more than one-third in number of creditors represented at such creditors' meeting) of the unsecured non-preferential creditors withholds its consent. The moratorium of payments is only effective with regard to unsecured non-preferential creditors. Unlike Chapter 11 proceedings under U.S. bankruptcy law, during which both secured and unsecured creditors are generally barred from seeking to recover on their claims during a moratorium of payments, under Dutch law, secured and preferential creditors (including tax and social security authorities) may enforce their rights against assets of the debtor in moratorium of payments to satisfy their claims as if there were no moratorium of payments. A recovery under Dutch law could, therefore, involve a sale of assets that does not reflect the going concern value of the debtor. However, the court may order a "cooling down period" for a maximum period of four months during which enforcement actions by secured or preferential creditors are barred. Further, in a definitive moratorium of payments, a composition (*akkoord*) may be offered to creditors. A composition will be binding on all unsecured and non-preferential creditors if it is (i) approved by a simple majority of the creditors being present or represented at the creditors' meeting, representing at least 50% of the amount of the claims that are admitted for voting purposes, and (ii) subsequently ratified (*gehomologeerd*) by the court. Consequently, Dutch insolvency laws could preclude or inhibit the ability of the holders of the Notes to effect a restructuring and could reduce the recovery of a holder of Notes in Dutch moratorium of payments proceedings to the extent that the proceeds of the Dutch law security created for the benefit of the holders of the Notes are insufficient to satisfy their claims. Interest payments that fall due after the date on which a moratorium of payments is granted cannot be claimed in a composition.

Under Dutch law, a debtor can be declared bankrupt when it is no longer able to pay its debts when due. The bankruptcy can be requested by the debtor itself or a creditor whose claim is due and payable but left unpaid; provided that there is at least one other eligible creditor or, in exceptional circumstances (e.g., for reasons of public interest), by the public prosecutor.

If the court declares a debtor bankrupt, it will appoint a receiver (curator) (or several receivers, depending on the complexity of the proceedings) and a judge to supervise the insolvency proceedings. The receiver will realize the debtor's assets and distribute the proceeds to the debtor's creditors in accordance with the statutory order of payment. The general principle of Dutch bankruptcy law is the so-called *paritas creditorum* (principle of equal treatment), which means that all creditors have an equal right to payment and that the proceeds of bankruptcy proceedings shall be distributed in proportion to the size of their claims. However, certain creditors (such as secured creditors and preferential creditors, including tax and social security authorities) will have special rights that take priority over the rights of other creditors. As a general rule, claims of unsecured and non-preferential creditors will have to be submitted to the receiver in bankruptcy to be verified. Any remaining funds will be distributed to the debtor's shareholders. Creditors of secured claims, such as the holders of the Notes, and preferential creditors with respect to certain assets of a debtor, who expect that the proceeds of a future enforcement against the assets subject

to the security or their preferred rights, as the case may be, will be insufficient to satisfy their claim in full, may request to receive the same rights as unsecured and non-preferential creditors with respect to the expected remainder of their claim, with preservation of their rights as a secured or preferential creditor in respect of the secured asset or the asset to which the relevant preferential right relates. If a secured creditor enforces its security rights prior to the expiry of the period for submitting claims for verification, and the proceeds of such enforcement are insufficient to satisfy its claim in full, the remainder of that claim may be submitted to the receiver in bankruptcy in order to be verified. "Verification" under Dutch law means that the receiver in bankruptcy determines the value of the claim and whether and to what extent it will be admitted in the bankruptcy proceedings for the purpose of distribution of the proceeds. A claim with an uncertain due date or which entitles the creditor to periodic payments shall be admitted for its value at the date of the bankruptcy order. Claims which become payable within one year after the day the debtor is declared bankrupt shall be considered matured. Claims which become payable one year after the commencement of bankruptcy proceedings shall be admitted for their value one year from the date of the commencement of the bankruptcy. Claims having an indeterminate or uncertain value, or whose value is not expressed in Dutch currency or not expressed in monetary terms at all, shall be admitted for their estimated value in Dutch currency. Interest payments on claims existing at the time of the bankruptcy order that fall due after such time cannot be verified, unless secured by a pledge or mortgage. In such a case, interest will be admitted *pro memoria*. To the extent that the interest is not covered by the proceeds of the security, the creditor may not derive any rights from the admission. The existence, value and ranking of any claims submitted by the holders of the Notes may be challenged in the Dutch bankruptcy proceedings. Generally, in a creditors' meeting (*verificatievergadering*), the receiver in bankruptcy, the insolvent debtor and all verified creditors may dispute the verification of any other claim that has been submitted for verification. Creditors whose claims or value thereof are disputed in the creditors' meeting may be referred to separate court proceedings (*renvooi procedure*). As in moratorium of payments proceedings, in a bankruptcy a composition may be offered to creditors, which shall be binding on unsecured non-preferential creditors if (i) it is approved by a simple majority of the creditors being present or represented at the creditors' meeting, representing at least 50% of the amount of the claims that are admitted for voting purposes, and (ii) subsequently ratified (*gehomologeerd*) by the court. The Dutch Bankruptcy Act does not in itself recognize the concept of classes of creditors. Remaining amounts, if any, after satisfaction of the secured and the preferential creditors are distributed among the unsecured non-preferential creditors on a pro rata basis. Contractual subordination may, to a certain extent, be given effect in Dutch insolvency proceedings. However, the actual effect depends largely on the way such subordination is construed.

Secured creditors, such as the holders of the Notes, may enforce their rights against assets of the debtor that are subject to the security to satisfy their claims during a Dutch bankruptcy as if there is no bankruptcy. As in moratorium of payments proceedings, the court may order a "cooling down period" for a maximum of four months during which all recourse actions (including action to enforce security) by secured creditors (other than estate creditors (*boedelschuldeisers*)), are prohibited unless such creditors have obtained leave from the supervisory judge. Further, a receiver in bankruptcy can force a secured creditor to enforce its security interest within a reasonable period of time, failing which the receiver will be entitled to sell the secured assets. Failing enforcement before such deadline, the receiver is permitted to sell the secured asset. After such a sale, the former holder of the security right remains entitled to a prioritized claim, but the underlying assets are no longer available for immediate recourse and the secured creditor will need to contribute to the

general costs of the bankruptcy to be paid out of the proceeds realized by such a sale by the liquidator. If the proceeds of sale are insufficient to repay the debt owed to the secured creditor, the secured creditor will be treated as an unsecured creditor for the balance of its residual claims. Excess proceeds of enforcement must be returned to the bankruptcy estate; they may not be set-off (*verrekend*) against an unsecured claim of the secured creditor in the bankruptcy. Such set-off is allowed prior to the bankruptcy although a set-off prior to bankruptcy may be subject to claw-back in the case of fraudulent conveyance or bad faith in obtaining the claim used for set-off. Consequently, Dutch bankruptcy laws could reduce your potential recovery in Dutch bankruptcy proceedings.

Under Dutch law, as soon as a debtor is declared bankrupt, all pending executions of judgments against such debtor, as well as all attachments on the debtor's assets, will be terminated by operation of law. Litigation pending on the date of the bankruptcy order is automatically stayed.

In addition, under Dutch insolvency laws, the validity of an appointment of an agent for service of process granted by a Dutch company is uncertain. Furthermore, such appointments will terminate automatically in the case of an insolvency of the Dutch Guarantor. As such, the ability to bring suit against the Dutch Guarantor in the United States may be limited.

Dutch Scheme

As regards the pre-insolvency plan regime, as of January 1, 2021, debtors have the possibility to offer a composition outside of formal insolvency proceedings under the Act on Court Confirmation of Extrajudicial Restructuring Plans (*Wet homologatie onderhands akkoord*) ("**Act on Court Confirmation of Extrajudicial Restructuring Plans**"). The pre-insolvency plan regime has been incorporated in the Dutch Bankruptcy Act pursuant to this Act on Court Confirmation of Extrajudicial Restructuring Plans. Unlike a composition in suspension of payments and in bankruptcy proceedings, a composition under the Act on Court Confirmation of Extrajudicial Restructuring Plans can be offered to secured creditors as well as shareholders. The Act on Court Confirmation of Extrajudicial Restructuring Plans provides, *inter alia*, for cross class cramdown, the restructuring of group company obligations through either one or more aligned proceedings, the termination of onerous contracts, deactivation of certain *ipso facto* clauses in contracts, and supporting court measures. The debtor and also creditors, shareholders or employee representation may take the initiative for a composition under the Act on Court Confirmation of Extrajudicial Restructuring Plans. Such composition may result in claims against the Dutch Guarantors as compromised if the relevant majority of creditors within a class or a more senior class vote in favor of such a composition and such composition is confirmed by Dutch courts. A composition plan under the Act on Court Confirmation of Extrajudicial Restructuring Plans can extend to claims against entities that are not incorporated under Dutch law and/or are residing outside the Netherlands. Accordingly, the Act on Court Confirmation of Extrajudicial Restructuring Plans can affect the rights of the Security Agent and/or the holders of the Notes under the Indenture.

Under the Act on Court Confirmation of Extrajudicial Restructuring Plans, voting on a composition plan is done in classes and creditors and shareholders with dissimilar rights are placed in different classes. Approval by a class requires a decision adopted with a majority of two third of the claims of that class that have voted on the plan or, in the case of a class

of shareholders, two thirds of the shares of that class that have voted on the plan. The Act on Court Confirmation of Extrajudicial Restructuring Plans provides for the possibility for a composition plan to be binding on a non-consenting class (cross class cramdown). Under the Act on Court Confirmation of Extrajudicial Restructuring Plans, the court will confirm a composition plan if at least one class of creditors (other than a class of shareholders) that can be expected to receive a distribution in case of a bankruptcy of the debtor approves the plan, unless there is a statutory ground for refusal. The court can, *inter alia*, refuse confirmation of a composition plan on the basis of (i) certain general grounds for refusal (e.g. procedural requirements have not been met, fraud, etc.), (ii) a request by an affected non-consenting creditor of a consenting class if the value of the distribution that such creditor receives under the plan is lower than the distribution it can be expected to receive in case of a bankruptcy of the debtor or (iii) a request of an affected creditor of a non-consenting class, if the plan provides for a distribution of value that deviates from the statutory or contractual ranking and priority to the detriment of that class, unless there is a reasonable ground to do so. There is one mandatory refusal ground specifically applicable to secured financial creditors that have provided financing to the debtor (if so requested by such creditor(s)). If the composition plan entails a debt-for-equity swap to which such creditors do not want to ascribe, and these creditors do not have the right to opt for a different kind of distribution, the court will refuse confirmation of such plan on the request of such creditor.

Under the Act on Court Confirmation of Extrajudicial Restructuring Plans, the court may grant a stay on enforcement (*afkoelingsperiode*) of a maximum of four months, with a possible extension of four months. During such stay on enforcement period, *inter alia*, all enforcement action against the assets of (or in the possession of) the debtor is suspended, including action to enforce security over the assets of the debtor. Accordingly, during such stay a pledgee of claims may not collect nor notify the debtors of such pledged claims of its rights of pledge, unless with the court's approval. Furthermore, any petitions for bankruptcy in respect of the debtor are suspended and the court may lift attachments on the debtor's assets at the request of the debtor or restructuring expert.

Limitation on enforcement

Security governed by Dutch law may be voided by a court if the relevant security document was executed or the security was otherwise provided through undue influence (*misbruik van omstandigheden*), fraud (*bedrog*), duress (*bedreiging*) or mistake (*dwaling*) of a party to the agreement contained in that document. Additionally, enforcement of the security interests over shares of capital stock of the Dutch Guarantors may be subject to the requirement to seek a declaration of no-objection from the ECB.

Payment under a security document governed by Dutch law may be withheld, and the exercise of rights in respect of the security or the enforcement of the security interest may be limited, under the doctrines of reasonableness and fairness (*redelijkheid en billijkheid*), force majeure (*niet toerekenbare tekortkoming*), and unforeseen circumstances (*onvoorziene omstandigheden*) and other general defenses available to debtors under Dutch law in respect of the validity, binding effect and enforceability of such security interest. Other impeding factors include rights of suspension (*opschorting*), dissolution of a contract (*ontbinding*) and set off (*verrekening*). The enforceability of the obligations of the Dutch Guarantors may also be limited under the 1977

Sanction Act (*Sanctiewet 1977*) or otherwise by international sanctions and in proceedings in a Dutch court for the enforcement of a Dutch law security interest, such court may mitigate amounts due in respect of litigation, enforcement and collection costs.

Furthermore, if a Dutch Guarantor enters into a transaction (such as the granting of a guarantee or security interest), the validity and enforceability of the relevant transaction may be contested by the Dutch company or its administrator (*bewindvoerder*) in a suspension of payments or its receiver (*curator*) in bankruptcy, if (i) that transaction is not in the company's corporate interest (*vennootschappelijk belang*) and (ii) the other party to the transaction knew or should have known this without independent investigation. In determining whether the granting of a guarantee or the giving of security is in the interest of the relevant Dutch company, a Dutch court would not only consider the text of the objects clause in the articles of association of the company but also all relevant circumstances, including whether the company derives certain commercial benefits from the transaction in respect of which the guarantee or security interest was granted and any indirect benefit derived by the relevant Dutch company as a consequence of the interdependence of it with the group of companies to which it belongs and whether or not the subsistence of the relevant Dutch company is jeopardized by conducting such transaction. The mere fact that a certain legal act (*rechtshandeling*) is explicitly mentioned in the objects clause in the articles of association of the company may not be conclusive evidence to state that such legal act is in the corporate interests.

Parallel debt

Under Dutch law, it is uncertain whether "accessory" security interests such as pledges require that the pledgee and the creditor of the obligations to be secured be the same person. It is often assumed that such security interests cannot be held on behalf of third parties who do not hold the secured claim. The beneficial holders of the Notes from time to time will not be party to the security documents. In order to permit the holders of the Notes from time to time to have the benefit of a secured claim, the security documents will provide for the creation of a "parallel debt." Pursuant to the parallel debt, the security agent becomes the holder of a claim equal to each amount payable by an obligor under the Notes. The security governed by Dutch law will directly secure the parallel debt. The parallel debt procedure has not been (explicitly) tested under Dutch law, and there is no certainty that it will eliminate or mitigate the risk of unenforceability posed by Dutch law.

Hardening periods and fraudulent conveyance

To the extent that Dutch law applies, a legal act performed by a debtor (including, without limitation, an agreement pursuant to which it agrees to provide or provides security for any of its or a third party's obligations, enters into additional agreements benefiting from existing security and any other legal act having a similar effect) can be challenged in an insolvency proceeding or otherwise and may be nullified by any of its creditors or its receiver in bankruptcy, if (i) it performed such acts without an obligation to do so (*onverplicht*), (ii) generally the creditor concerned or, in the case of its bankruptcy, any creditor was prejudiced as a consequence of the act, and at the time the act was performed both it and (unless the act was for no consideration (*om niet*)) the party with or towards which it acted, knew or should have known that one or more of its creditors (existing or future) would be prejudiced. In addition, in the case of such a bankruptcy,

their receiver in bankruptcy may nullify its performance of any due and payable obligation (including, without limitation, an obligation to provide security for any of its or a third party's obligations) if (i) the payee (*hij die betaling ontving*) knew that a request for bankruptcy had been filed at the moment of payment, or (ii) the performance of the obligation was the result of concerted efforts by the debtor and the payee with a view to giving preference to the latter over the debtor's other creditors.

For certain types of transactions that are entered into within one year before (a) the declaration of the bankruptcy, or (b) the moment the transaction is challenged by a creditor, the debtor and the counterparty to the transaction are legally presumed to have knowledge of the fact that the transaction will prejudice the debtor's creditors (subject to evidence of the contrary).

Portugal

Insolvency

International aspects of Portuguese bankruptcy, controlled management or voluntary arrangement with creditors' proceedings may be subject to Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (recast), as amended (the "**EU Insolvency Regulation**"). Pursuant to the EU Insolvency Regulation, the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the Member State (other than Denmark) where the company concerned has its "center of main interests." The determination of where any such company has its "center of main interests" is a question of fact on which the courts of the different Member States may have differing and even conflicting views. Certain of the Guarantors have their corporate seat in Portugal (i.e., Whitestar Asset Solutions, S.A. and AGHL Portugal Investments Holdings, S.A. (the "**Portuguese Guarantors**"), which are incorporated under Portuguese law and have their registered offices in Portugal) and it is therefore presumed (subject to proof to the contrary) that they have their "center of main interests" in Portugal. Portuguese insolvency laws may not be as favorable to your investments as creditors as the insolvency laws of other jurisdictions. The following is a brief description of certain aspects of Portuguese insolvency law.

Insolvency proceedings in Portugal may be initiated either by the debtor, a creditor or the Public Prosecutor (*Ministerio Público*) (representing entities which have their interests legally entrusted to it) when the debtor is deemed to be insolvent. Under Portuguese insolvency law, a debtor is deemed to be insolvent if it is unable to fulfill its debts as they fall due. A company will also be considered insolvent if it is proved to the satisfaction of the court that the value of the company's assets is significantly lower than the amount of its liabilities, according to the relevant accounting principles. Furthermore, although the main rule under Portuguese law is that insolvency is assessed on the existing factual situation, should the directors determine that the company will become insolvent in the near future, they can file for insolvency.

Furthermore, the Portuguese Code on Insolvency and Recovery of Companies (CIRE) establishes that when facing a difficult economic situation or in the case of a merely imminent insolvency situation, the debtor may submit an application to court for a special proceeding of revitalization (PER). Additionally, the companies facing economic difficulties may also make use of the "Extrajudicial Regime of Companies´ Recovery" ("**RERE**"). This is an out-of-court process

managed by the Commercial Registry that aims at improving the conditions for reorganization of companies in deteriorated economic/financial structure still having the potential of being recovered. Finally, "Extraordinary Companies' Viability Proceeding" ("**PEVE**") is a temporary scheme created for businesses in financial difficulties and/or insolvent because of the economic and financial consequences of COVID-19. It is expected to remain in force until December 2021.

Insolvency filing

The debtor must file for insolvency within 30 days of the date on which it becomes aware, or should have become aware, of its state of insolvency. If the debtor fails to do so, it may be declared by a Portuguese court to be in a state of "guilty insolvency" (*insolvência culposa*), which may lead to civil sanctions being imposed on the debtor (if an individual) and/or its administrators, such as the inhibition of performance of acts of commerce for a period ranging from two to ten years, the prohibition for its administrators to be appointed to the board of corporate entities, the loss of credits over the insolvency or over the insolvent estate, the obligation to restore assets or rights received as a payment for those credits and the obligation to pay a compensation to the debtor's creditors up to the amount of the unsatisfied claims (all claims that were not paid in full in the insolvency proceedings) up to the limit of the debtor's administrators available assets, and also to criminal sanctions, such as a fine or imprisonment of up to a year or five years if the debtor had the intent to cause damages to its creditors. Currently, companies are not obliged to file for insolvency within the typical timeframe. The applicable deadlines have been suspended and this is expected to last as long as the exceptional and temporary measures in response to the COVID-19 pandemic remain in place.

The creditor's insolvency claim

Upon the occurrence of certain events, any creditor is entitled, regardless of the nature of the debt owed to it, to file an insolvency claim against the debtor, even if such debt has not yet fallen due. A creditor must provide evidence of the existence, nature, origin and amount of the debt owed to it and it can do so by means of any type of evidence provided for in Portuguese law, notably the testimony of witnesses and presentation of documents. Such events include a general suspension of payment of overdue obligations of the debtor, the default on one or more debts which, considering the amount of such debt or the circumstances of such default, reveals that the debtor is generally unable to fulfill its obligations, the dissipation, renunciation or hasty liquidation of debtor's assets, the fraudulent assumption of debt or the general default, during a prior period of six months, on certain tax, social security contribution and employment obligations.

Effects of the declaration of insolvency

When a debtor is declared insolvent by the court, an "insolvency administrator" (*administrador de insolvência*) is appointed and the administration of the debtor's assets is immediately transferred to the insolvency administrator. In some cases, Portuguese law allows the debtor's corporate bodies to maintain their management activities, subject, however, to the supervision and powers of the insolvency administrator. The insolvency estate encompasses all assets belonging to the debtor at the time the insolvency is declared. In addition, all the assets that the insolvent debtor acquires during the insolvency proceedings also form part of the insolvency estate. If a court declares a debtor to be insolvent, the judge orders the apprehension, for immediate

delivery to the insolvency administrator, of all of the assets of the debtor, even if seized, secured, mortgaged or by any means apprehended. Once insolvency is declared, the claims over the insolvent entity become immediately due, except if subject to conditions precedent, in which case specific rules will apply.

Effects of the insolvency on executory contracts

As a rule, executory contracts (a contract in which continuing obligations exist on both sides of the contract) shall be suspended when insolvency is determined (standstill effect) and, depending on the decision of the insolvency administrator, may be performed or terminated. A decision by the insolvency administrator that an executory contract should be performed rather than terminated is deemed to be abusive in situations where timely performance of the contractual obligations by the insolvency estate is highly unlikely. Specific rules govern the effects of insolvency on certain types of contracts.

Set aside (resolução) for the benefit of the insolvency estate

The insolvency administrator has the power to set aside certain acts, omissions or agreements entered into by the insolvent company. Past acts or omissions that are considered detrimental to the insolvency estate may be set aside if entered into by the insolvent company within two years prior to the commencement of the insolvency proceedings. Acts that reduce, prevent, render more difficult, jeopardize or delay the payment of creditors are considered detrimental to the insolvency estate. The ability of the insolvency administrator to set aside acts or omissions generally requires bad faith on the part of the third party affected thereby. Bad faith is presumed in the case of acts or omissions made within two years prior to the commencement of the insolvency proceedings by, or for the benefit of, a related party of the insolvent company (even if such beneficiary was not a related party at the time of the act or omission). Certain events can be set aside for the benefit of the insolvency estate, without proving bad faith or the detrimental nature of the act or omission.

Rules on priority of credits

Under the CIRE, creditors' claims are divided into guaranteed, privileged, ordinary and subordinated claims. Portuguese law also recognizes "insolvency estate debts" (*dívidas da massa insolvente*), which must be settled in priority to all other claims. Such claims include the judicial costs of the insolvency proceedings, the insolvency administrator's remuneration, debts arising from administration acts, liquidation and division of assets and, under certain circumstances, debts arising from the performance of executory agreements. The claims accepted by the insolvency administrator and recognized by the court are paid according to a ranking, depending on the type of assets to be sold under the scope of the insolvency proceedings.

Liquidation of the insolvency estate or insolvency plan

The CIRE determines that creditors' claims may be satisfied by either a liquidation of the insolvency estate or by putting in place a company rescue pursuant to an insolvency plan. This decision is to be made solely by the creditors. In the case of liquidation of a debtor's insolvency estate, the debtor's assets will be sold and the amounts recovered from the proceeds of such sale will be, at a first stage, allocated to the "insolvency estate debts" (*dívidas da massa insolvente*)

and thereafter to the payment of the credits accepted by the insolvency administrator and recognized by the court. An insolvency plan is a rescue mechanism which can be put in place as an alternative to the liquidation process.

Special Proceedings of Revitalization

The PER is an urgent proceeding intended to allow the debtor that finds itself in a difficult economic situation or in a merely imminent insolvency situation, but is still likely to recover from that status, to negotiate with its creditors in order to enter into an agreement with them leading to its recovery. For this purpose, the debtor is considered to be in a difficult economic situation if it faces serious difficulties to comply promptly with its obligations due to lack of liquidity or not being able to obtain credit. Moreover, the debtor is in a merely imminent insolvency situation if it anticipates that it shall not be able to continue to comply promptly with its obligations, which means that it shall not be able to resort to this process if it is already in an actual insolvency situation. The PER begins with an expression of intent by the debtor and of at least one of its creditors, by means of a written statement, to enter into negotiations leading to the revitalization of the debtor through the adoption of a recovery plan. At the same time the debtor should also submit documents to the court which should immediately appoint a provisional judicial administrator. It is not required that all creditors participate in the negotiations. However, once the plan has been approved and confirmed by the judge, it will bind all creditors, whether or not they have participated in the negotiations. Under the COVID-19 legislation measures, creditors (partners) who finance the debtor's activity by providing capital for its revitalization have a general moveable credit privilege, ranked ahead of the general moveable credit privilege granted to employees.

Extrajudicial Regime of Companies' Recovery (RERE)

The company which intends to apply to the RERE shall sign a negotiation protocol and promote their deposit at the Commercial Registry Office. This protocol must be signed by the debtor and the creditors representing at least 15% of non-subordinated claims and shall include a change in the composition, conditions or structure of the debtor's liabilities and/or assets, including share capital, or a combination of these elements, including the sale of assets or parts of activity, with the objective of the company surviving, in whole or in part. It should be noted that this protocol does not need to be voted on. Each creditor favors the protocol only if it accepts the restructuring of its credit. Thus, any agreement that may be approved will only take effect for creditors who have joined the RERE and who have approved the negotiation protocol.

Exceptionally, while the COVID-19 measures are in force, insolvent companies may resort to the RERE provided that: (i) the current situation of insolvency is due to the COVID-19 pandemic, (ii) the company is susceptible to viability and (iii) it demonstrates that as of December 31, 2019, it had an asset greater than a liability, calculated based on the applicable accounting standards.

As a result of the approval of the negotiation protocol, the pledges and the executive measures promoted by the creditors who joined the RERE and who signed the negotiation protocol are suspended; pledges and executive actions by creditors who have not joined the RERE remain active. Also, the providers of essential services such as electricity, natural gas, water and

telecommunications are unable to suspend their supply for non-payment for the entire duration of the negotiation.

"***Extraordinary Company Viability Process" ("PEVE")***

A PEVE begins with the presentation by the company, through a lawyer, to the competent court, of an initial application with a written statement signed by the company's management body (managers in private limited companies and single-member limited companies, board of directors or sole director in public limited companies) attesting that its situation is due to the COVID-19 pandemic. For the process to be activated, a viability agreement, signed by the company and the majority of the creditors, must also be presented.

A list is also required, prepared in alphabetical order, with all the creditors, their addresses, the value of the claims, due dates and the nature and guarantees they benefit from. This list must have been prepared within the last 30 days and must be signed by the company's management and by a certified accountant or statutory auditor.

A PEVE does not involve the payment of any procedural fee. The company will be responsible for payment of the remuneration of the provisional judicial administrator, but the company will benefit from the protection of internal financing (which enjoys a general securities credit privilege, thus escaping its classification as a subordinated credit) and tax advantages (reduction or forgiveness of interest) associated with any plans accepted by the tax authority or social security.

After the appointment of the provisional judicial administrator and until the judgment (ratification or non-ratification of the agreement) has become final, no actions may be filed claiming the payment of debts.

Hardening Periods and Fraudulent Transfer

Portuguese law contains specific provisions dealing with fraudulent conveyance, irrespective of whether the debtor has been declared insolvent (*Impugnação Pauliana*). The Portuguese Civil Code offers creditors protection against the acts of the debtor which led to a decrease in their means of recovery. A legal act performed by a debtor (including, without limitation, an agreement pursuant to which it guarantees the performance of the obligations of a third party or agrees to provide, or provides security for any of its obligations or a third party's obligations or any other legal act having similar effect) can be challenged by any of the debtor's creditors if: (i) the contested act has occurred after the creation of the credit (or before, if such act was performed with the intention to damage the creditor's means of recovery); (ii) the contested act makes the recovery of the credit impossible or frustrates such recovery; and (iii) at the time the act was performed both the debtor and the counterparty to the transaction knew or should have known that the act would be detrimental to the creditor, unless the act was entered into for no consideration, in which case such knowledge of the counterparty is not necessary for a successful challenge on grounds of fraudulent conveyance.

Under the Portuguese Civil Code, a creditor may file a paulian action within a period of five years as from the date on which the contested act took place. A creditor that successfully challenges a debtor under such action, could have security governed by Portuguese law voided by

a court. These provisions from the Portuguese Civil Code are still enforceable in case of insolvency of the debtor. If a court considers that the issuance of the Collateral issued by the Portuguese Guarantors involved a fraudulent conveyance that does not qualify for any defense under applicable law, then the issuance of such Collateral could be declared unenforceable against third parties or the creditor that lodged the claim.

LISTING AND GENERAL INFORMATION

Listing

Application will be made to The International Stock Exchange Authority Limited (the "**Authority**") for listing the Notes on the Official List of The International Stock Exchange (the "**Exchange**") and for admission to trade on the Exchange in accordance with the rules and regulations of the Exchange. There can be no assurance that the Notes will be listed on the Official List of the Exchange.

For so long as the Notes are listed on the Official List of the Exchange, copies of the following documents may be inspected and obtained free of charge at the specified office of the Issuer during normal business hours on any weekday:

- the organizational documents of the Issuer; and
- the most recent audited consolidated financial statements, and any interim financial statements published on a quarterly basis, required to be provided under "*Description of the Notes—Certain Covenants—Reports*."

We have appointed Carey Olsen Corporate Finance Limited as Listing Agent. We reserve the right to change this appointment and we will publish notice of such change of appointment in accordance with the terms of the Indenture. Application may be made to the Authority to have any of the Notes removed from listing on the Official List of the Exchange, including if necessary to avoid any new withholding taxes in connection with the listing.

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.

Euro Floating Rate Notes	**ISIN**	**Common Code**
Rule 144A Global Notes	XS2010027378	201002737
Regulation S Global Notes	XS2010027535	201002753

Euro Fixed Rate Notes	**ISIN**	**Common Code**
Rule 144A Global Notes	XS2010027295	201002729
Regulation S Global Notes	XS2010027022	201002702

Sterling Notes	**ISIN**	**Common Code**
Rule 144A Global Notes	XS2010026644	201002664
Regulation S Global Notes	XS2010026990	201002699

Legal Information

Issuer

Sherwood Financing plc, a direct financing subsidiary of the Parent and an indirect subsidiary of Midco, was incorporated on July 6, 2021, 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 13497082. Its registered office is at 20 Bentinck Street, London, United Kingdom, W1U 2EU and the objects for which it is formed are unrestricted, as defined 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 £1.00 each, all fully paid up and issued, with a total value of £50,000.

The creation and issuance of the Notes have been authorized by resolutions of the Issuer on October 15, 2021.

Initial Guarantors

Sherwood Parentco Limited, or the Parent, was incorporated on March 29, 2021 as a private limited company under the laws of England and Wales and registered at Companies House under registration number 13299333. The registered address of the Parent is 20 Bentinck Street, London, United Kingdom, W1U 2EU. As of the date of this Offering Memorandum, the Parent's share capital consisted of 166,813,368 ordinary shares with nominal value of £1.00 each, all fully paid up and issued, with a total value of £512,951,970.14. The Parent was authorized to act as Guarantor by resolutions of the Parent on October 15, 2021.

Sherwood Financing 2 Limited, or Finco, was incorporated on July 29, 2021 as a private limited company under the laws of England and Wales and registered at Companies House under registration number 13538711. The registered address of Finco is 20 Bentinck Street, London, United Kingdom, W1U 2EU and it was established by the Parent for the purpose of facilitating the Transactions. As of the date of this Offering Memorandum, Finco's share capital consisted of 1 ordinary share with a nominal value of £1.00, fully paid up and issued, with a value of £1.00. Finco was authorized to act as Guarantor by resolutions of Finco on October 15, 2021.

Sherwood Acquisitions Limited, or Bidco, was incorporated on March 29, 2021 as a private limited company under the laws of England and Wales and registered at Companies House under registration number 13299321. The registered address of Bidco is 20 Bentinck Street, London, United Kingdom, W1U 2EU. Bidco was formed for the purpose of carrying out activities relevant to a holding company. As of the date of this Offering Memorandum, Bidco's share capital consisted of 166,813,368 ordinary shares with nominal value of £1.00 each, all fully paid up and issued, with a total value of £512,951,970.14. Bidco was authorized to act as Guarantor by resolutions of the Bidco on October 15, 2021.

Additional Guarantors

Arrow Global Group Limited (formerly known as Arrow Global Group plc) is a wholly owned subsidiary of Bidco. The registered address of Arrow Global Group Limited (formerly known as Arrow Global Group plc) is Belvedere, 12 Booth Street, Manchester, M2 4AW.

Arrow Global One Limited was incorporated as a private limited company under the laws of England and Wales on August 14, 2013. Arrow Global One Limited is a wholly owned subsidiary of Arrow Global Group Limited (formerly known as Arrow Global Group plc). The registered address of Arrow Global One Limited is Belvedere, 12 Booth Street, Manchester, M2 4AW.

Arrow Global Guernsey Holdings Limited was incorporated as a non-cellular company under the laws of Guernsey on October 8, 2008. Arrow Global Guernsey Holdings Limited is a wholly owned subsidiary of Arrow Global One Limited. The registered address of Arrow Global Guernsey Holdings Limited is 1st Floor Albert House South Esplanade St Peter Port, Guernsey GY1 1AJ.

Arrow Global Investments Holdings Limited was incorporated as a private limited company under the laws of England and Wales on April 17, 2008. Arrow Global Investments Holdings Limited is a wholly owned subsidiary of Arrow Global Guernsey Holdings Limited. The registered address of Arrow Global Investments Holdings Limited is Belvedere, 12 Booth Street, Manchester, M2 4AW.

Arrow Global (Holdings) Limited was incorporated as a private limited company under the laws of England and Wales on October 28, 2005. Arrow Global (Holdings) Limited is a wholly owned subsidiary of Arrow Global Investments Holdings Limited. The registered address of Arrow Global Investments Holdings Limited is Belvedere, 12 Booth Street, Manchester, M2 4AW.

Arrow Global Limited was incorporated as a private limited company under the laws of England and Wales on October 28, 2005. Arrow Global Limited is a wholly owned subsidiary of Arrow Global (Holdings) Limited. The registered address of Arrow Global Limited is Belvedere, 12 Booth Street, Manchester, M2 4AW.

Quest Topco Limited was incorporated as a private limited company under the laws of England and Wales on June 1, 2011. Quest Topco Limited is a wholly owned subsidiary of Arrow Global Investments Holdings Limited. The registered address of Quest Topco Limited is Belvedere, 12 Booth Street, Manchester, M2 4AW.

Quest Bidco Limited was incorporated as a private limited company under the laws of England and Wales on June 1, 2011. Quest Bidco Limited is a wholly owned subsidiary of Quest Topco Limited. The registered address of Quest Bidco Limited is Belvedere, 12 Booth Street, Manchester, M2 4AW.

Quest Newco Limited was incorporated as a private limited company under the laws of England and Wales on July 22, 2011. Quest Newco Limited is a wholly owned subsidiary of Quest Bidco Limited. The registered address of Quest Newco Limited is Belvedere, 12 Booth Street, Manchester, M2 4AW.

CapQuest Group Limited was incorporated as a private limited company under the laws of England and Wales on October 17, 2003. CapQuest Group Limited is a wholly owned subsidiary of Quest Newco Limited. The registered address of CapQuest Group Limited is Belvedere, 12 Booth Street, Manchester, M2 4AW.

Capquest Investments Limited was incorporated as a private limited company under the laws of England and Wales on September 29, 2004. Capquest Investments Limited is a wholly owned subsidiary of CapQuest Group Limited. The registered address of Capquest Investments Limited is Belvedere, 12 Booth Street, Manchester, M2 4AW.

Arrow Global Investments Holdings Benelux B.V. was incorporated as a private company with limited liability under the laws of the Netherlands on May 1, 2006. Arrow Global Investments Holdings Benelux B.V. is a wholly owned subsidiary of Arrow Global Investments Holdings Limited. The registered address of Arrow Global Investments Holdings Benelux B.V. is Van Asch van Wijckstraat 55, 3811 LP Amersfoort.

Fiditon Holding B.V. was incorporated as a private company with limited liability under the laws of the Netherlands on November 1, 2007. Fiditon Holding B.V. is a wholly owned subsidiary of Arrow Global Investments Holdings Benelux B.V. The registered address of Fiditon Holding B.V. is Van Asch van Wijckstraat 55, 3811 LP Amersfoort.

Incassobureau Fiditon B.V. was incorporated as a private company with limited liability under the laws of the Netherlands on May 18, 1982. Incassobureau Fiditon B.V. is a wholly owned subsidiary of Fiditon Holding B.V. The registered address of Incassobureau Fiditon B.V. is Van Asch van Wijckstraat 55, 3811 LP Amersfoort.

Arrow SMA LP Limited was incorporated as a private limited company under the laws of England and Wales on October 21, 2019 with registered number 12272894. Arrow SMA LP Limited is a wholly owned subsidiary of Arrow Global Investments Holdings Limited. The registered address of Arrow SMA LP Limited is Belvedere, 12 Booth Street, Manchester, M2 4AW.

Arrow SMA GP Limited was incorporated as a private limited company under the laws of Jersey on December 4, 2019 with registered number 130462. Arrow SMA GP Limited is a wholly owned subsidiary of Arrow SMA LP Limited. The registered address of Arrow SMA GP Limited is 27 Esplanade, St Helier Jersey JE1 1SG.

Arrow Global SMA I LP was established as a limited partnership under the laws of Jersey on December 10, 2019 with registered number 3136. The general partner of Arrow Global SMA I LP is Arrow SMA GP Limited, and the limited partner of Arrow Global SMA I LP is Arrow SMA LP Limited. The registered address of Arrow Global SMA I LP is 27 Esplanade, St Helier Jersey JE1 1SG.

AGHL Portugal Investment Holdings, S.A. was incorporated as a public limited company under the laws of the Portugal on March 27, 2015. AGHL Portugal Investment Holdings, S.A. is a wholly owned subsidiary of Arrow Global Investments Holdings Limited. The registered address of AGHL Portugal Investment Holdings, S.A. is Edifício D. Sebastião, Rua Quinta do Quintã, no. 6, Quinta da Fonte, Oeiras, Portugal.

Whitestar Asset Solutions, S.A. was incorporated as a public limited company under the laws of the Portugal on March 29, 2007. Whitestar Asset Solutions, S.A. is a wholly owned subsidiary of AGHL Portugal Investment Holdings, S.A. The registered address of Whitestar Asset Solutions, S.A. is Avenida Almirante Gago Coutinho, no. 30, piso 0, Lisbon, Portugal.

Significant Change

Except as disclosed in this Offering Memorandum:

- there has been no material adverse change in the prospects of the Issuer or the Target Group since June 30, 2021; and
- there has been no significant change in the Target Group's financial position as set forth in the Target Group's consolidated financial statements as of and for the six months ended June 30, 2021.

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 material governmental, legal or arbitration proceedings are pending or threatened.

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Independent Review Report to Arrow Global Group PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules (“the DTR”) of the UK’s Financial Conduct Authority (“the UK FCA”).

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the next annual financial statements will be prepared in accordance with UK-adopted international accounting standards. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

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

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Simon Ryder
for and on behalf of KPMG LLP

Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

12 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 30 June 2021

	Note	Unaudited period ended 30 June 2021 £000	Unaudited period ended 30 June 2020 £000
Continuing operations			
Income from portfolio investments at amortised cost	10	68,570	91,015
Fair value gains/(losses) on portfolio investments at FVTPL	10	23,419	(12,841)
Impairment gains/(losses) on portfolio investments	10	17,655	(120,753)
Income from portfolio investments—real estate inventories	10	1,033	167
Total income/(loss) from portfolio investments		**110,677**	**(42,412)**
Income from asset management and servicing and fund and investment management		55,646	45,458
Other income		9	341
Total income		**166,332**	**3,387**
Operating expenses:			
Collection activity and fund management costs	8	(66,400)	(64,279)
Other operating expenses	8	(69,185)	(48,040)
Total operating expenses		**(135,585)**	**(112,319)**
Operating profit/(loss)		**30,747**	**(108,932)**
Net finance costs		(30,237)	(27,010)
Profit/(loss) before tax		**510**	**(135,942)**
Taxation (charge)/credit on ordinary activities	7	(1,375)	25,509
Loss after tax		**(865)**	**(110,433)**
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign exchange translation difference arising on revaluation of foreign operations		(6,466)	9,534
Movement on the hedging reserve		35	167
Total comprehensive loss for the period		**(7,296)**	**(100,732)**
Profit/(loss) attributable to:			
Owners of the Company		(938)	(109,771)
Non-controlling interest		73	(662)
		(865)	**(110,433)**
Basic EPS (£)	6	**(0.01)**	**(0.62)**
Diluted EPS (£)	6	**(0.01)**	**(0.62)**

Note – There has been a reclassification between the two operating expense rows 'collection activity and fund management costs' and 'other operating expenses' in the prior period. This change was made to better reflect the evolved nature of the Group's business model and presenting direct costs of the Group's business lines is deemed to provide more relevant information. As such, we have reclassified £13,895,000 from 'other operating expenses' to 'collection activity and fund management costs' in the prior period. The total impact is £nil. Further information can be found in note 8. This adjustment is in line with that made in the Annual Report and Accounts 2020.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	Unaudited 30 June 2021 £000	Audited 31 December 2020 £000	As re-presented Unaudited 30 June 2020 £000
Assets				
Cash and cash equivalents		117,978	182,892	180,091
Trade and other receivables		68,635	71,372	44,488
Portfolio investments – amortised cost	10	735,353	793,554	809,792
Portfolio investments – FVTPL	10	239,322	187,421	152,050
Portfolio investments – real estate inventories	10	53,351	61,240	65,486
Property, plant and equipment		17,444	17,612	25,104
Other intangible assets		38,890	38,709	39,056
Deferred tax asset		31,480	31,782	38,382
Goodwill	9	269,464	278,338	281,091
Total assets		**1,571,917**	**1,662,920**	**1,635,540**
Liabilities				
Bank overdrafts	13	3,094	3,648	4,198
Revolving credit facility	13	201,504	277,552	280,788
Derivative liability		40	83	316
Trade and other payables	11	172,227	166,965	187,004
Current tax liability		1,065	2,110	7,606
Other borrowings	13	2,487	3,247	4,365
Asset-backed loans	13	93,856	143,985	91,950
Senior secured notes	13	967,059	930,575	937,831
Deferred tax liability		17,593	18,056	19,828
Total liabilities		**1,458,925**	**1,546,221**	**1,533,886**
Equity				
Share capital		1,796	1,774	1,773
Share premium		347,436	347,436	347,436
Retained earnings		41,140	38,506	20,787
Hedging reserve		(32)	(67)	(256)
Other reserves		(280,922)	(274,451)	(271,657)
Total equity attributable to shareholders		**109,418**	**113,198**	**98,083**
Non-controlling interest		3,574	3,501	3,571
Total equity		**112,992**	**116,699**	**101,654**
Total equity and liabilities		**1,571,917**	**1,662,920**	**1,635,540**

The June 2020 balance sheet has been re-presented to show Ł14,332,000 of bank balances subject to certain restrictions within cash and cash equivalents in the period, that were previously shown within trade and other receivables. See the unaudited consolidated statement of cash flows on page F-6 for more detail.

The interim results were approved on 12 August 2021 by the board of directors and are signed on its behalf by:

Matt Hotson Group chief financial officer

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2021

	Ordinary shares £000	Share Premium £000	Retained earnings £000	Hedging reserve £000	Own share reserve £000	Translation reserve £000	Merger reserve £000	Total £000	Non-controlling interest £000	Total £000
Balance at 1 January 2020	1,769	347,436	129,240	(423)	(5,806)	2,137	(276,961)	197,392	4,465	201,857
Loss for the period	—	—	(109,771)	—	—	—	—	(109,771)	(662)	(110,433)
Exchange differences	—	—	—	—	—	9,534	—	9,534	—	9,534
Net fair value losses on cash flow hedges	—	—	—	194	—	—	—	194	—	194
Tax on hedged items	—	—	—	(27)	—	—	—	(27)	—	(27)
Total comprehensive loss for the period	—	—	(109,771)	167	—	9,534	—	(100,070)	(662)	(100,732)
Shares issued	4	—	—	—	—	—	—	4	—	4
Repurchase of own shares	—	—	—	—	(561)	—	—	(561)	—	(561)
Share-based payments net of tax	—	—	1,175	—	—	—	—	1,175	—	1,175
Non-controlling interest on acquisition	—	—	232	—	—	—	—	232	(232)	—
Change in non-controlling interest	—	—	(89)	—	—	—	—	(89)	—	(89)
Balance at 30 June 2020 (unaudited)	1,773	347,436	20,787	(256)	(6,367)	11,671	(276,961)	98,083	3,571	101,654
Profit/(loss) for the period	—	—	16,942	—	—	—	—	16,942	(126)	16,816
Exchange differences	—	—	—	—	—	(2,793)	—	(2,793)	—	(2,793)
Net fair value gains on cash flow hedges	—	—	—	233	—	—	—	233	—	233
Tax on hedged items	—	—	—	(44)	—	—	—	(44)	—	(44)
Total comprehensive income/(loss) for the period	—	—	16,942	189	—	(2,793)	—	14,338	(126)	14,212
Shares issued	1	—	—	—	—	—	—	1	—	1
Repurchase of own shares	—	—	—	—	(1)	—	—	(1)	—	(1)
Share-based payments net of tax	—	—	771	—	—	—	—	771	—	771
Change in Non-controlling interest	—	—	6	—	—	—	—	6	56	62
Balance at 31 December 2020	1,774	347,436	38,506	(67)	(6,368)	8,878	(276,961)	113,198	3,501	116,699
(Loss)/profit for the period	—	—	(938)	—	—	—	—	(938)	73	(865)
Exchange differences	—	—	—	—	—	(6,466)	—	(6,466)	—	(6,466)
Net fair value gains on cash flow hedges	—	—	—	43	—	—	—	43	—	43
Tax on hedged items	—	—	—	(8)	—	—	—	(8)	—	(8)
Total comprehensive (loss)/income for the period	—	—	(938)	35	—	(6,466)	—	(7,369)	73	(7,296)
Shares issued	22	—	—	—	—	—	—	22	—	22
Repurchase of own shares	—	—	—	—	(5)	—	—	(5)	—	(5)
Share-based payments net of tax	—	—	3,572	—	—	—	—	3,572	—	3,572
Balance at 30 June 2021 (unaudited)	**1,796**	**347,436**	**41,140**	**(32)**	**(6,373)**	**2,412**	**(276,961)**	**109,418**	**3,574**	**112,992**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2021

	Note	Unaudited period ended 30 June 2021 £000	As re-presented unaudited period ended 30 June 2020 £000
Net cash generated by operating activities	14	**41,700**	**54,107**
Investing activities			
Purchase of property, plant and equipment		(2,683)	(4,579)
Purchase of intangible assets		(6,627)	(4,546)
Acquisition of subsidiary, net of cash acquired		—	(89)
Deferred consideration paid in connection with subsidiary acquisitions		(8,311)	(3,266)
Net cash used in investing activities		**(17,621)**	**(12,480)**
Financing activities			
Movement in other banking facilities		(71,838)	37,047
Repayment of ABS		(48,835)	(13,480)
Proceeds from senior notes (net of fees)		64,363	—
Proceeds from ABS issuing		—	21,060
Repayment of interest on senior notes		(19,871)	(20,581)
Repayment of interest on asset-backed loans		(2,435)	(1,488)
Bank and other similar fees paid		(4,335)	(3,648)
Bank interest received		10	21
Repurchase of own shares		(5)	(561)
Issue of share capital		22	4
Lease payments		(2,962)	(2,421)
Payment of deferred interest		(488)	(259)
Net cash flow (used in)/generated by financing activities		**(86,374)**	**15,694**
Net (decrease)/increase in cash and cash equivalents		**(62,295)**	**57,321**
Cash and cash equivalents at beginning of period		182,892	115,376
Effect of exchange rates on cash and cash equivalents		(2,619)	7,394
Cash and cash equivalents at end of period		**117,978**	**180,091**

Included within cash and cash equivalents in Ł9,095,000 (2020: Ł14,332,000) of cash, which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated securitisation structure awaiting a payment date. The 2020 reconciliation above has been re-presented to remove these amounts from the net cash generated/used by operating activities, as in the prior reporting they were included within this line item, but are now included within cash and cash equivalents at the beginning and end of each period.

Notes to the condensed consolidated interim financial statements

1. General Information

The Company is incorporated in England and Wales. These condensed consolidated interim financial statements (interim financial statements) of the Company as at and for the six months ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as 'the Group'). The Group's principal activity is to identify, acquire and manage secured and unsecured non-performing and non-core loan portfolios and real estate from and on behalf of financial institutions, such as banks, institutional fund investors and specialist lenders.

2. Basis of preparation

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the UK. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2020.

The annual financial statements of the Group are prepared in accordance with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated annual report for the year ended 31 December 2020.

The comparative figures for the financial year ended 31 December 2020 are not the complete version of the Company's statutory accounts for that financial year. The consolidated financial statements of the Group as at and for the year ended 31 December 2020 are available upon request from the Company's registered office at Belvedere, 12 Booth Street, Manchester, M2 4AW or online at www.arrowglobalir.net. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor:

(i) was unqualified;

(ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report; and

(iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The interim financial statements of the Group have been prepared under the historical cost convention other than the fair value of derivative contracts and certain portfolio investments and the amortised cost accounting for other financial assets and liabilities.

These interim financial statements were approved by the board of directors on 12 August 2021.

Going concern

In assessing whether the going concern basis is appropriate to adopt for the Group as at 30 June 2021, the directors have undertaken a thorough review of the latest forecast cash flow models and scenarios for a period in excess of 12 months from the date of approval of these accounts, with the primary focus of detailed forecasting running to the end of 2022.

A base case forecast and several downside scenarios have been prepared reflecting the Group's current financial position and expected future performance. Key items considered within each forecast were the future outlook for HPI and unemployment, including the length and severity of any potential macroeconomic shock, and the impact these may have on the Group's cash flows. These cash flows were considered against the Group's future liquidity position, taking into account that there are no bond maturities until 2024. Adherence to the Group's liquidity, leverage and ERC loan to value covenants was also considered in all scenarios.

The results of this scenario analysis show that even in a severe but plausible downside scenario, after taking reasonable management actions (such as cost reductions, slowing purchases and collection acceleration) as required, the Group is able to maintain sufficient liquidity and cash reserves to operate within banking covenants, and to continue as a going concern. This scenario was aligned to the severe downside forecasts outlined in note 10.

2. Basis of preparation (continued)

Finally, a reverse stress test has also been prepared, incorporating a plausible set of management actions, to identify the magnitude of a downside stress that needs to occur to cause the group to breach its financial covenants. It has been concluded that this represents an overly severe and implausible scenario. The directors note the proposed acquisition by Sherwood Acquisitions Limited (a newly formed company owned by investment funds managed by TDR Capital LLP) ("Bidco") to acquire the entire issued and to be issued share capital of the Parent Company and, in particular, the statements that Bidco has made in the Offer Documents regarding its intentions for the Group if that acquisition completes. In accordance with the Takeover Code, the Directors only have access to this publicly available information.

The directors considered the impact of the proposed acquisition in the Group's going concern assessment. They note that should the acquisition complete, Bidco's stated intentions do not depart significantly from the Group's existing strategy or present causes for concern that completion of the acquisition by Bidco would have an adverse effect on the ability of the Group and Parent Company to continue as a going concern. Based on all of the above indicators, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

3. Adoption of new standards

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021, which are deemed not to have a material impact on the results of the Group.

4. Accounting policies, critical accounting judgements and estimates

In preparing these condensed consolidated interim financial statements, management have made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

In preparing the interim financial statements, the accounting policies, areas of judgement, estimation and assumption were the same as those applied in the consolidated financial statements of the Group as at and for the year ended 31 December 2020.

5. Segmental reporting

Period ended 30 June 2021

	Balance Sheet business £000	AMS business £000	FIM business £000	Group functions £000	Intra-segment elimination £000	Adjusting items £000	Total period ended 30 June 2021 £000
Total income	105,139	64,238	24,739	9	(27,793)		166,332
Collection activity costs	(45,312)	(37,257)	(11,624)	—	27,793		(66,400)
Gross margin	59,827	26,981	13,115	9	—		99,932
Gross margin %	*56.9%*	*42.0%*	*53.0%*				*60.1%*
Other operating expenses excluding depreciation, amortisation and forex	(5,949)	(20,770)	(5,527)	(28,765)	—	22,356	(38,655)
EBITDA before takeover costs	**53,878**	**6,211**	**7,588**	**(28,756)**	**—**	**22,356**	**61,277**
EBITDA margin %	*51.2%*	*9.7%*	*30.7%*				*36.8%*
Depreciation, amortisation and forex	(1,379)	(3,607)	(1,538)	(1,650)	—	—	(8,174)
Operating profit/(loss) before takeover costs	**52,499**	**2,604**	**6,050**	**(30,406)**	**—**	**22,356**	**53,103**
Net finance costs	—	—	—	(30,237)	—	—	(30,237)
Profit/(loss) before tax and takeover costs	**52,499**	**2,604**	**6,050**	**(60,643)**	**—**	**22,356**	**22,866**
Takeover costs	—	—	—	—	**—**	*(22,356)*	*(22,356)*
Profit before tax	*52,499*	*2,604*	*6,050*	*(60,643)*	—	—	510

5. Segmental reporting (continued)

Period ended 30 June 2020

	Balance Sheet business[1] £000	AMS business restated[1] £000	FIM Business restated[1] £000	Group functions restated[1] £000	Intra-segment elimination restated[1] £000	As re-presented total period ended 30 June 2020 £000
Total income	(43,313)	59,645	16,539	341	(29,825)	3,387
Collection activity costs[2]	(50,626)	(33,353)	(10,120)	(5)	29,825	(64,279)
Gross margin	(93,939)	26,292	6,419	336	—	(60,892)
Gross margin %	*216.9%*	*44.1%*	*38.8%*			—
Other operating expenses excluding depreciation, amortisation and forex[2]	(5,455)	(19,494)	(6,440)	(7,768)	—	(39,157)
EBITDA	**(99,394)**	**6,798**	**(21)**	**(7,432)**	**—**	**(100,049)**
EBITDA margin %	*229.5%*	*11.4%*	*(0.1)%*			
Depreciation, amortisation and forex	(2,779)	(2,378)	(250)	(3,476)	—	(8,883)
Operating (loss)/profit	**(102,173)**	**4,420**	**(271)**	**(10,908)**	**—**	**(108,932)**
Net finance costs	—	—	—	(27,010)	—	(27,010)
(Loss)/profit before tax	**(102,173)**	**4,420**	**(271)**	**(37,918)**	**—**	**(135,942)**

1 In line with the requirements of IFRS 8:29, due to the change of the segmental reporting structure aligned to the Group now being managed through an integrated asset manager model, the corresponding information for 2020 has also been restated. This is done on the same basis as in the Annual Report and Accounts 31 December 2020.

2 The split of total operating expenses has changed from the Interim results 30 June 2020, with a reclass between 'collection activity and fund management costs' and 'other operating expenses', as part of the change in the segmental reporting structure aligned to the Group now being managed through an integrated asset management model. The total operating expenses impact is £nil. The main movements between the categorisation relate to allocation of internal staff costs and professional fees. This re-presented is on the same basis as done in the Annual Report and Accounts 31 December 2020.

Other operating expense inclusive of depreciation, amortisation and forex totals £48,104,000 (H1 2020: £48,040,000).

6. Earnings per share

	Period ended 30 June 2021 £000	Period ended 30 June 2020 £000
Basic and diluted earnings per share		
Loss for the period attributable to equity shareholders	(938)	(109,771)
Weighted average ordinary shares	**177,783**	**176,475**
Potential exercise of share options	11,341	7,494
Weighted average ordinary shares (diluted)	**189,124**	**183,969**
Basic earnings per share (£)	**(0.01)**	**(0.62)**
Diluted earnings per share (£)	**(0.01)**	**(0.62)**

7. Taxation charge on ordinary activities

The taxation charge for the period was £1,375,000 (H1 2020: £25,509,000 credit). The taxation before takeover cost impacts was £2,296,000 with an effective consolidated tax rate for the six months ended 30 June 2021 was 10.0% (30 June 2020: (18.8)%). The Group operates in multiple tax jurisdictions, which are subject to different corporate tax rates during the interim period. The Group has therefore calculated an estimated average annual effective tax rate for each jurisdiction, based on forecast profits and substantially enacted corporate tax rates relevant to those jurisdictions, to determine the Group's consolidated effective tax rate.

Deferred taxation is measured at the tax rates that are expected to apply in the periods in which the tax losses and temporary timing differences are expected to reverse. At Budget 2021, the government announced an increase to the rate of UK corporation tax for the year starting 1 April 2023, setting the rate at 25% which was passed in the Finance Act 2021 on 10 June 2021. A credit of £3,728,000 has been recorded to the profit and loss to reflect the restatement of the UK deferred tax asset.

8. Collection activity and fund management costs and other operating expenses

	Period ended 30 June 2021 £000	As re-presented period ended 30 June 2020[1] £000
Collection activity and fund management costs:		
External collection costs	12,320	15,426
Staff costs	30,467	29,395
Direct temporary labour	2,266	2,732
Direct operating costs	14,731	10,927
Legal disbursements	5,863	4,470
Other collection activity costs	753	1,329
Total collection activity costs	**66,400**	**64,279**

1 The split of total operating expenses has changed from in the Interim results 30 June 2020, with a reclass between the 'collection activity and fund management costs' and 'other operating expenses', as part of the change in the segmental reporting structure aligned to the Group now being managed through an integrated asset management model. The total operating expenses impact is £nil. The main movements between the categorisation relate to allocation of internal staff costs and professional fees. This re-presentation is on the same basis as done in the Annual Report and Accounts 31 December 2020.

	Period ended 30 June 2021 £000	As re-presented period ended 30 June 2020[1] £000
Other operating expenses:		
Staff costs	21,071	20,418
Other staff related costs	2,378	3,469
Premises	1,661	1,858
IT	6,921	7,270
Depreciation and amortisation	8,581	8,151
Net foreign exchange (gains)/losses	(407)	732
Other operating expenses	6,624	6,142
Takeover costs	22,356	—
Total other operating expenses	**69,185**	**48,040**

1 The split of total operating expenses has changed from in the Interim Results 2020, with a reclass between the 'collection activity and fund management costs' and 'other operating expenses', as part of the change in the segmental reporting structure aligned to the Group now being managed through an integrated asset management model. The total operating expenses impact is £nil. The main movements between the categorisation relate to allocation of internal staff costs and professional fees. The prior period has been re-presented accordingly on this basis.

Other operating expenses have increased materially in the period due to costs incurred related to the potential takeover of the Group by TDR Capital.

9. Goodwill

Cost	**£000**
At 30 June 2020	**283,400**
Exchange rate differences	(2,753)
At 31 December 2020	**280,647**
Exchange rate differences	(8,874)
At 30 June 2021	**271,773**
Impairment:	
At 30 June 2021, 31 December 2020 and 30 June 2020	**2,309**
Net book value:	
At 30 June 2021	**269,464**
At 31 December 2020	**278,338**
At 30 June 2020	**281,091**

10. Portfolio investments

The movements in portfolios investments were as follows:

Period ended 30 June 2021	Amortised cost £000	FVTPL £000	Real estate inventories £000	Total £000
As at the period brought forward	793,554	187,421	61,240	1,042,215
Portfolios purchased during the period	18,997	75,778	—	94,775
Balance sheet cash collections in the period	(141,249)	(30,930)	(7,430)	(179,609)
Income from portfolio investments at amortised cost	68,570	—	—	68,570
Income from portfolio investments – real estate inventories	—	—	1,033	1,033
Fair value gain on portfolios at FVTPL	—	23,419	—	23,419
Net impairment gains/(losses)	17,752	—	(97)	17,655
Exchange and other movements	(22,271)	(16,366)	(1,395)	(40,032)
As at the period end	**735,353**	**239,322**	**53,351**	**1,028,026**

Year ended 31 December 2020	Amortised cost £000	FVTPL £000	Real estate inventories £000	Total £000
As at the period brought forward	932,199	169,799	61,626	1,163,624
Portfolios purchased during the year	47,169	62,681	—	109,850
Balance sheet cash collections in the year	(287,662)	(46,074)	(5,136)	(338,872)
Income from portfolio investments at amortised cost	164,597	—	—	164,597
Income from portfolio investments – real estate inventories	—	—	492	492
Fair value gain on portfolios at FVTPL	—	4,976	—	4,976
Net impairment losses	(100,022)	—	(414)	(100,436)
Exchange and other movements	37,273	(3,961)	4,672	37,984
As at the period end	**793,554**	**187,421**	**61,240**	**1,042,215**

Period ended 30 June 2020	Amortised cost £000	FVTPL £000	Real Estate Inventories £000	Total £000
As at the period brought forward	932,199	169,799	61,626	1,163,624
Portfolios purchased during the period	28,521	14,361	—	42,882
Collections in the period	(146,393)	(27,508)	(1,875)	(175,776)
Income from portfolio investments at amortised cost	91,015	—	—	91,015
Income from portfolio investments – real estate inventories	—	—	167	167
Fair value losses on portfolios at FVTPL	—	(12,841)	—	(12,841)
Net impairment losses	(120,744)	—	(9)	(120,753)
Exchange and other movements	25,194	8,239	5,577	39,010
As at the period end	**809,792**	**152,050**	**65,486**	**1,027,328**

10. Portfolio investments (continued)

Scenario modelling information

To assist with the understanding of how the Group has modelled the future cash flows which ultimately drive the valuation of the portfolio investment assets, the below table shows the probability that has been assigned to each macroeconomic scenario when preparing the cash flow forecasts.

		Scenario					
Country	**Segment**	**Upside**	**Mild upside**	**Base**	**Stagnation**	**Downside**	**Severe downside**
Ireland	Secured	10%	10%	50%	10%	10%	10%
UK	Secured	10%	10%	50%	10%	10%	10%
UK	Unsecured	10%	10%	50%	10%	10%	10%
Portugal	Secured	10%	10%	50%	10%	10%	10%
Portugal	Unsecured	10%	10%	50%	10%	10%	10%
Italy	Secured	10%	10%	50%	10%	10%	10%
Italy	Unsecured	10%	10%	50%	10%	10%	10%
The Netherlands	Secured	10%	10%	50%	10%	10%	10%
The Netherlands	Unsecured	10%	10%	50%	10%	10%	10%

The key macroeconomic indicator for each segment is the level of unemployment for unsecured and HPI for secured. These metrics are monitored at a national level with unemployment being the national unemployment rate, and HPI the relevant index of house prices used to observe the relative change in house prices in each country. The corresponding forecasts for unemployment and HPI are detailed on the following pages. Unemployment represents the expected year-end unemployment rate under the different scenarios relative to Base and HPI, the expected year-end growth rate under the different scenarios relative to Base.

Year-end unemployment rate relative to Base (change in %)

Country	Segment	Upside	Mild upside	Stagnation	Downside	Severe downside
UK	2021	(1.9)	(1.0)	1.0	1.4	1.9
UK	2022	(1.8)	(0.6)	1.7	2.0	2.3
UK	2023	(1.8)	(0.6)	1.9	2.1	2.5
UK	2024	(1.7)	(0.5)	1.8	2.0	2.4
UK	2025	(1.6)	(0.5)	1.7	1.9	2.2
Portugal	2021	(2.1)	(1.0)	1.5	1.8	2.3
Portugal	2022	(3.6)	(1.3)	3.5	4.0	4.8
Portugal	2023	(4.1)	(1.5)	4.0	4.0	5.4
Portugal	2024	(4.3)	(1.6)	4.0	4.6	5.5
Portugal	2025	(4.0)	(1.5)	3.7	4.2	5.1
The Netherlands	2021	(2.8)	(2.0)	1.0	1.5	2.2
The Netherlands	2022	(2.9)	(1.9)	1.3	1.9	2.8
The Netherlands	2023	(3.1)	(1.9)	1.4	2.0	3.0
The Netherlands	2024	(2.9)	(1.8)	1.4	1.9	2.9
The Netherlands	2025	(2.7)	(1.6)	1.3	1.8	2.7
Italy	2021	(1.8)	(1.0)	0.9	1.3	1.8
Italy	2022	(2.6)	(1.4)	1.4	1.9	2.6
Italy	2023	(3.0)	(1.6)	1.6	2.1	3.0
Italy	2024	(2.9)	(1.6)	1.5	2.0	2.9
Italy	2025	(2.7)	(1.5)	1.4	1.9	2.7
Ireland	2021	(1.3)	(0.6)	1.8	2.0	2.3
Ireland	2022	(2.7)	(0.9)	4.1	4.5	5.1
Ireland	2023	(3.8)	(1.0)	6.4	6.9	7.7
Ireland	2024	(3.8)	(0.9)	6.6	7.1	7.9
Ireland	2025	(3.5)	(0.9)	6.1	6.6	7.4

10. Portfolio investments (continued)

Year-end HPI rate (year-on-year) relative to Base (change in %)

Country	Segment	Upside	Mild upside	Stagnation	Downside	Severe downside
UK	2021	6.6	3.8	(4.9)	(7.0)	(10.6)
UK	2022	4.4	2.2	(6.5)	(9.1)	(13.8)
UK	2023	8.0	5.3	(4.2)	(6.8)	(11.9)
UK	2024	1.6	1.1	(0.8)	(1.4)	(2.7)
UK	2025	(1.4)	(0.2)	0.4	0.6	1.1
Portugal	2021	8.1	5.1	(3.8)	(5.7)	(9.0)
Portugal	2022	6.5	4.2	(3.0)	(4.7)	(7.7)
Portugal	2023	5.0	3.3	(2.5)	(4.0)	(6.8)
Portugal	2024	0.4	0.3	(0.2)	(0.3)	(0.6)
Portugal	2025	(0.4)	(0.2)	0.2	0.3	0.6
The Netherlands	2021	7.9	5.0	(3.5)	(5.3)	(8.4)
The Netherlands	2022	15.6	10.1	(6.7)	(10.5)	(17.2)
The Netherlands	2023	2.5	1.7	(1.4)	(2.3)	(4.0)
The Netherlands	2024	0.8	0.6	(0.5)	(0.8)	(1.5)
The Netherlands	2025	(0.4)	(0.3)	0.3	0.4	0.8
Italy	2021	2.8	1.7	(1.6)	(2.3)	(3.6)
Italy	2022	3.3	2.1	(1.4)	(2.2)	(3.5)
Italy	2023	3.7	2.4	(1.7)	(2.6)	(4.2)
Italy	2024	0.9	0.6	(0.4)	(0.6)	(1.0)
Italy	2025	(0.2)	(0.1)	0.1	0.2	0.3
Ireland	2021	12.1	7.5	(5.4)	(8.2)	(12.9)
Ireland	2022	11.6	7.6	(5.6)	(8.9)	(14.8)
Ireland	2023	4.7	3.2	(2.7)	(4.4)	(7.8)
Ireland	2024	(0.4)	(0.3)	0.2	0.4	0.7
Ireland	2025	(0.5)	(0.3)	0.3	0.5	0.9

In addition to these metrics, we also consider the impact of inflation and household indebtedness to provide additional context regarding macroeconomic conditions, albeit we consider these factors to have a less significant impact on performance.

When calculating the probability-weighted average for each country and asset class, the secured Base ERCs have been determined to most closely align to the ‘Stagnation’ macroeconomic scenarios. The forecasting methodology utilised for production of the unsecured Base ERCs, namely simulation methods, have an underlying assumption of a static macroeconomic environment, reflecting economic uncertainty rather than the anticipated macroeconomic improvements. To that end, the Group note that the unsecured Base ERCs have been produced using assumptions which are in the range between ‘Stagnation’ and ‘Base’ macroeconomic scenarios.

Application of the probability-weighted average on this basis indicates an anticipated increase in the Base ERCs as a result of future macroeconomic scenarios. However, given the continuing relative macroeconomic uncertainty, no macroeconomic adjustment (increase) has been applied to the Base ERCs.

Notes to the condensed consolidated interim financial statements
(continued)

11. Trade and other payables

	30 June 2021 £000	31 December 2020 £000	30 June 2020 £000
Current:			
Trade payables	5,747	9,889	14,524
Deferred consideration on acquisition of subsidiaries	11,192	18,497	14,147
Deferred consideration on portfolio investments	8,184	10,538	52,731
Taxation and social security	4,395	2,001	2,447
Accruals	39,109	33,300	27,492
Liabilities arising on acquisition of bankruptcy portfolios	5,563	12,959	—
Liabilities held on behalf of clients	8,550	—	—
Other liabilities	27,098	21,774	23,931
Lease Liability	6,205	3,560	4,272
	116,043	112,518	139,544
Non-current:			
Trade payables	17,722	8,137	4,360
Deferred consideration on acquisition of subsidiaries	126	1,633	10,309
Deferred consideration on portfolio investments	—	1,500	—
Taxation and social security	—	(124)	—
Accruals	2,990	887	546
Liabilities arising on acquisition of bankruptcy portfolios	20,936	23,367	15,782
Other liabilities	2,695	4,406	704
Lease liabilities	11,715	14,641	15,759
	56,184	54,447	47,460
Total trade and other payables	**172,227**	**166,965**	**187,004**

The directors consider that the carrying amounts of the current trade and other payables approximate to their fair value on the basis that the balances are short term in nature. The contingent element of the non-current deferred consideration has also been calculated at fair value.

12. Related party transactions

Key management are defined as permanent members of the board plus all non-executive directors. Compensation in relation to the financial period was as follows:

Remuneration	30 June 2021 £000	31 December 2020 £000	30 June 2020 £000
Salaries and performance related bonus	636	1,222	594
Pension-related benefits	43	87	43
	679	**1,309**	**637**

The number of key management during the period was 7 members (2020: 7 members).

During the period there were no related party transactions, with the exception of those eliminated on consolidation, other than discussed above.

Notes to the condensed consolidated interim financial statements
(continued)

13. Borrowings and facilities

Secured borrowing at amortised cost	30 June 2021 £000	31 December 2020 £000	30 June 2020 £000
Senior secured notes (net of transaction fees of £10,535,000, 31 December 2020: £10,480,000, 30 June 2020: £11,677,000)	967,059	930,575	937,831
Revolving credit facility (net of transaction fees of £2,392,000, 31 December 2020: £2,790,000, 30 June 2020: £3,255,000)	201,504	277,552	280,788
Asset backed loan (net of transaction fees of £2,470,000, 31 December 2020: 4,708,000, 30 June 2020: £1,350,000)	93,856	143,985	91,950
Bank overdrafts and loans	3,094	3,648	4,198
Other borrowings – non-recourse facilities	2,487	3,247	4,365
	1,268,000	**1,359,007**	**1,319,132**
Total borrowings			
Amount due for settlement within 12 months	272,736	362,427	299,409
Amount due for settlement after 12 months	995,264	996,580	1,019,723

Senior secured notes

The senior secured notes comprise three publicly issued Euro and Sterling senior notes secured by substantially all of the assets of the Group; £320 million 5.125% fixed-rate notes due September 2024, €400 million floating rate senior secured notes due April 2025 at a coupon of 3.75% over three-month Euribor and €360 million floating rate senior secured notes, including the €75 million tap, due March 2026 at a coupon of 3.75% over three-month Euribor. The Euro notes are subject to a zero percent floor on Euribor.

On 12 February 2021, Arrow Global Finance plc issued €75 million senior secured notes maturing 2026, at an issue price of 99%. This tap issue of the existing €285 million senior secured floating rate bonds due 2026 means that all terms and conditions of the new bonds are identical to those of the existing 2026 bonds, except for the issue price. The proceeds from the transaction of €74,250,000 less transaction fees and expenses were used to partially repay drawings under the Group's revolving credit facility.

Revolving credit facility

The £285 million revolving credit facility, provided by a syndicate of banks, matures in January 2024. On 12 August 2020, the Group executed an amendment agreement with its lenders to amend the financial covenants under the facility to reflect the potential impact on the business of COVID-19. The amendments to the financial covenants are for the period from September 2020 up to and including June 2022 and provide suitable headroom based upon the Group's downside projections, including an amendment to the maximum permitted leverage and minimum liquidity, and a move to a more dynamic margin calculation of between 2.50% and 3.25%.

Asset Backed Securitisation

The Group has two non-recourse committed asset-backed securitisation term loans.

The first loan of £54.7 million as at 30 June 2021, secured on UK unsecured assets, pays LIBOR plus 3.1%. The Group initially established a £100 million asset-backed facility in April 2019 with £137 million of ERC being sold to a wholly owned subsidiary, AGL Fleetwood Limited and further ERC has been sold to AGL Fleetwood Limited at various times since the initial set up allowing further borrowings to be drawn.

Since 1 January 2020, there has been one such drawing. On 31 March 2020, the Group sold £30 million of ERC into AGL Fleetwood Limited and on 2 April 2020 borrowed an additional £21 million non-recourse funding on the same terms under the facility.

During July 2020, the Group entered into further arrangements in connection with the non-recourse facility to mitigate potential balance sheet cash collections impacts of COVID-19. An additional £33 million of 84-month ERC was sold into the structure with no additional borrowings made. In consideration of the additional ERC pledged, the lender agreed to amend certain performance criteria. Since July 2020, no further drawings have been made.

13. Borrowings and facilities (continued)

During July 2020, the Group entered into a second non-recourse amortising loan of €104,700,000, which was fully drawn during the month. This loan was secured against €356 million of Portuguese 84-month ERC at a margin of 4.25%. The outstanding amount of the loan as at 30 June 2021 was €48 million.

As at 30 June 2021, £284,133,000 of the portfolio investments, set out in note 10, are pledged as collateral for the asset-backed securitisations.

14. Notes to the cash flow statement

	Period ended 30 June 2021 £000	As re-presented period ended 30 June 2020 £000
Cash flows from operating activities		
Profit/(loss) before tax	510	(135,942)
Adjusted for:		
Balance sheet cash collections in the period	179,609	175,776
Income from portfolio investments	(69,603)	(91,182)
Fair value (gains)/losses on portfolios	(23,419)	12,841
Net impairment (gains)/losses	(17,655)	120,753
Depreciation and amortisation	8,581	8,151
Net interest payable	29,710	26,527
Lease liability interest	527	483
Foreign exchange (gains)/losses	(407)	732
Loss/(profit) on write-off and disposal of property, plant and equipment	41	(627)
Equity settled share-based payment expenses	3,572	1,175
Operating cash flows before movement in working capital	**111,466**	**118,687**
Decrease in other receivables	137	7,741
Increase/(decrease) in trade and other payables	26,019	(28,010)
Cash generated by operations	**137,622**	**98,418**
Income taxes and overseas taxation payable	(1,147)	(1,429)
Net cash flow from operating activities before purchases of loan portfolios	**136,475**	**96,989**
Purchases of portfolio investments	(94,775)	(42,882)
Net cash generated by operating activities	**41,700**	**54,107**

Included within cash and cash equivalents in £9,095,000 (2020: £14,332,000) of cash, which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated securitisation structure awaiting a payment date. The 2020 reconciliation above has been re-presented to remove these amounts from the net cash generated/used by operating activities, as in the prior period they were included within this line item, but are now included within cash and cash equivalents.

15. Share based payments

The following awards were made in 2021:

Share incentive plan scheme (SIP)

In 2021, the Company offered to all UK employees the opportunity to participate in the SIP, where the Company gives the participating employees one matching share for each partnership share acquired on behalf of the employee using the participating employees' gross salaries. The shares vest at the end of three years on a rolling basis as they are purchased, with employees required to stay in employment for the vesting period to receive the shares.

15. Share based payments (continued)

Long-term incentive plan (LTIP)

In 2021, nil-cost share options and conditional awards were granted to eligible employees based on a maximum of 200% of base salary. The LTIP awards vest at the end of three years, subject to the achievement of performance conditions.

The 2021 awards do not include the right to receive a dividend equivalent.

2021 LTIP performance criteria

For each eligible employee, 33% of the LTIP awards are subject to ROE criteria and vests as follows:

Performance condition	Percentage vesting
Less than 25% average ROE over the three performance years	0%
25% average ROE over the three performance years (threshold performance)	25%
30% average ROE over the three performance years (maximum performance)	100%
Between 25% and 30% average ROE over the three performance years	Between the threshold performance and maximum performance on a straight-line basis

For each eligible employee, 33% of the LTIP awards are subject to shareholder return criteria, being share price growth plus the value of dividend. The Group is compared against the FTSE 350 index, with the LTIP awards vesting as follows:

Performance condition	Percentage vesting
Below median ranking	0%
Median ranking (top 50%) (threshold performance)	25%
Upper quartile ranking (top 25%) (maximum performance)	100%
Between top 50% and top 25% ranking	Between the threshold performance and maximum performance on a straight-line basis

For each eligible employee, 33% of the LTIP awards are subject to FCF performance conditions and vests as follows:

Performance condition	Percentage vesting
Below £700 million cumulative FCF over the three performance years	0%
£700 million cumulative FCF over the three performance years (threshold performance)	25%
£850 million cumulative FCF over the three performance years (maximum performance)	100%
Between £700 million and £850 million cumulative FCF over the three performance years	Between the threshold performance and maximum performance on a straight-line basis

For each Lee Rochford and Matt Hotson their LTIP vests as follows:

33% of the LTIP awards are subject to ROE criteria and vests as follows:

Performance condition	Percentage vesting
Less than 25% average ROE over the three performance years	0%
25% average ROE over the three performance years (threshold performance)	18.75%
30% average ROE over the three performance years (maximum performance)	100%
Between 25% and 30% average ROE over the three performance years	Between the threshold performance and maximum performance on a straight-line basis

15. Share based payments (continued)

33% of the LTIP awards are subject to shareholder return criteria, being share price growth plus the value of dividend. The Group is compared against the FTSE 350 index, with the LTIP awards vesting as follows:

Performance condition	Percentage vesting
Below median ranking	0%
Median ranking (top 50%) (threshold performance)	18.75%
Upper quartile ranking (top 25%) (maximum performance)	100%
Between top 50% and top 25% ranking	Between the threshold performance and maximum performance on a straight-line basis

33% of the LTIP awards are subject to FCF performance conditions and vests as follows:

Performance condition	Percentage vesting
Below £700 million cumulative FCF over the three performance years	0%
£700 million cumulative FCF over the three performance years (threshold performance)	18.75%
£850 million cumulative FCF over the three performance years (maximum performance)	100%
Between £700 million and £850 million cumulative FCF over the three performance years	Between the threshold performance and maximum performance on a straight-line basis

Restricted share award and deferred bonus share awards

A restricted share award was made in April 2021, which vests the day after the annual 2021 results are announced.

Accelerated share-based payment charge

In light of the potential acquisition of the business by TDR Capital, £2,623,000 of share-based costs have been accelerated, which would have otherwise not been incurred in the reporting period. The share-based payment charge before takeover costs for the period was £949,000, with a total share-based payment charge for the period of £3,572,000.

Grant information for the period

The terms and conditions of the grants during the period are as follows:

	Method of settlement accounting	Number of instruments	Vesting period	Contractual life of options
Grant date/employees entitled				
Equity settled award – LTIP	Equity	1,855,148	3 years	9 April 2024
Equity settled award – restricted	Equity	64,357	1 years	23 March 2022
Equity settled award – SIP	Equity	61,340	3 years rolling	May – June 2024

The weighted average fair value of options granted during the period was £2.75. The majority of options granted to date are nil cost options.

The fair value of equity settled share-based payments has been estimated as at date of grant using the Monte Carlo model.

15. Share based payments (continued)

The inputs to the models used to determine the valuations fell within the following ranges:

Grant date	9 April 2021	6 April 2021	May 2021
Expected life of options (years)	3	1	3
Share prices at date of grant	£3.04	£3.04	£3.05
Expected share price volatility (%)	74.1%	n/a	n/a
Risk free interest rate (%)	0.16%	n/a	n/a

The total expenses recognised for the period arising from the above share-based payments are as follows:

	30 June 2021 £000
Equity settled share-based payment expense spread across vesting period	3,572
Total equity settled share-based payment expense recognised in the statement of comprehensive income	**3,572**

The basis of measures used to measure executive remuneration can be seen in the Annual Report & Accounts 2020 on the Company website at www.arrowglobalir.net.

16. Financial instruments

Fair value estimation

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For instruments that trade infrequently and have little price transparency, fair value is less objective, and requires judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation models

The Group measures fair values using a fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Financial instruments measured at fair value – fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

Level 2	30 June 2021 £000	31 December 2020 £000	30 June 2020 £000
Liabilities:			
Interest rate swaps	(40)	(83)	(316)
	(40)	**(83)**	**(316)**
Level 3			
Assets:			
Portfolio investments	239,322	187,421	152,050
Liabilities:			
Contingent consideration	(484)	(475)	(9,294)
	238,838	**186,946**	**142,756**

There have been no transfers between level 2 or 3.

16. Financial instruments (continued)

The fair value of amortised cost portfolio investments has been calculated by observing the compression in market yields over time and applying the difference between current average market IRRs for the Group's most recent vintage and applying this as a premium or discount to prior years' vintages. This approach takes into account changes in market pricing factors over time, while retaining the consideration of the individual characteristics of each portfolio. As this calculation is based on unobservable inputs, these fair values would be categorised as level 3 values.

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

(i) estimated future cash flows, derived from management forecasts

(ii) the application of an appropriate exit multiple

(iii) discounting using a rate appropriate to the investment and the anticipated rate of return

The fair value of derivative financial instruments has been calculated by discounting expected future cash flows using interest rate yield curves and forward foreign exchange rates prevailing at 30 June 2021.

The fair value of contingent consideration has been estimating the expected future payments arising from the consideration, and discounting this at Arrow's weighted average cost of debt, as this is deemed to represent the rate at which the market prices the credit risk of the Group for such payables.

The total 84-month ERC value for the Group's portfolio investments held at FVTPL is £343,998,000, with an average discount rate of 14.4%. An increase/decrease in ERC of 1% would lead to an increase/decrease in the carrying value of portfolio investments held at FVTPL of £2,393,000/(£2,393,000). An increase/decrease in the discount rate of 1% would lead to a decrease/increase in the carrying value of portfolio investments held at FVTPL of (£5,261,000)/£5,465,000.

The total ERC value for the Group's portfolio investments held at amortised cost is £1,089,304,000, with an average discount rate of 21.7%. An increase/decrease in ERC of 1% would lead to an increase/decrease in the carrying value of portfolio investments held at amortised costs of £7,354,000/(£7,354,000). An increase/decrease in the discount rate of 1% would lead to a decrease/ increase in the carrying value of portfolio investments held at amortised of (£11,330,000)/£11,747,000. A full reconciliation between the opening and closing portfolio investments held at FVTPL has been provided in note 10.

Financial instruments not measured at fair value – fair value hierarchy not measured at fair value

The following table analyses financial instruments not measured at fair value at the reporting date, by the level in the fair value hierarchy into which the measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

Level 3	30 June 2021 £000	31 December 2020 £000	30 June 2020 £000
Assets:			
Portfolio investments – amortised cost	735,353	793,554	809,792
	735,353	**793,554**	**809,792**

30 June 2021	Mandatorily at FVTPL £000	FVOCI £000	Amortised cost £000	Total carrying amount £000	Total fair value £000
Portfolio investments	239,322	—	735,353	974,675	1,119,690
Cash and cash equivalents	—	—	117,978	117,978	117,978
Other receivables classified as financial assets	—	—	63,189	63,189	63,189
Total financial assets	**239,322**	**—**	**916,520**	**1,155,842**	**1,300,857**

16. Financial instruments (continued)

30 June 2021	Mandatorily at FVTPL £000	FVOCI £000	Amortised cost £000	Total carrying amount £000	Total fair value £000
Senior secured notes	—	—	967,059	967,059	976,173
Revolving credit facility	—	—	201,504	201,504	201,504
Asset-backed loans	—	—	93,856	93,856	93,856
Bank overdrafts	—	—	3,094	3,094	3,094
Other borrowings	—	—	2,487	2,487	2,487
Derivative liability	40	—	—	40	40
Trade and other payables classified as financial liabilities	484	—	107,329	107,813	107,813
Total financial liabilities	**524**	**—**	**1,375,329**	**1,375,853**	**1,384,967**

31 December 2020	Mandatorily at FVTPL £000	FVOCI £000	Amortised cost £000	Total carrying amount £000	Total fair value £000
Portfolio investments	187,421	—	793,554	980,975	1,036,819
Cash and cash equivalents	—	—	182,892	182,892	182,892
Other receivables classified as financial assets	—	—	57,586	57,586	57,586
Total financial assets	**187,421**	**—**	**1,034,032**	**1,221,453**	**1,277,297**

31 December 2020	Mandatorily at FVTPL £000	FVOCI £000	Amortised cost £000	Total carrying amount £000	Total fair value £000
Senior secured notes	—	—	930,575	930,575	926,762
Revolving credit facility	—	—	277,552	277,552	277,552
Asset-backed loans	—	—	143,985	143,985	143,985
Bank overdrafts	—	—	3,648	3,648	3,648
Other borrowings	—	—	3,247	3,247	3,247
Derivative liability	83	—	—	83	83
Trade and other payables classified as financial liabilities	475	—	112,225	112,700	112,700
Total financial liabilities	**558**	**—**	**1,471,232**	**1,471,790**	**1,467,977**

30 June 2020	Mandatorily at FVTPL £000	FVOCI £000	Amortised cost £000	Total carrying amount £000	Total fair value £000
Portfolio investments	152,050	—	809,792	961,842	1,017,107
Cash and cash equivalents – as re-presented	—	—	180,091	180,091	180,091
Other receivables classified as financial assets – as re-presented	—	—	39,146	39,146	39,146
Total financial assets	**152,050**	**—**	**1,029,029**	**1,181,079**	**1,236,344**

16. Financial instruments (continued)

30 June 2020	Mandatorily at FVTPL £000	FVOCI £000	Amortised cost £000	Total carrying amount £000	Total fair value £000
Senior secured notes	—	—	937,831	937,831	856,251
Revolving credit facility	—	—	280,788	280,788	280,788
Asset-backed loans	—	—	91,950	91,950	91,950
Bank overdrafts	—	—	4,198	4,198	4,198
Other borrowings	—	—	4,365	4,365	4,365
Derivative liability	316	—	—	316	316
Trade and other payables classified as financial liabilities	9,294	—	127,194	136,488	136,488
Total financial liabilities	**9,610**	**—**	**1,446,326**	**1,455,936**	**1,374,356**

For more detail on the re-presentations, see the condensed consolidated statement of cash flows on page F-6.

Independent auditor's report to the members of Arrow Global Group plc

1. Our opinion is unmodified

We have audited the financial statements of Arrow Global Group plc ("the Group") for the year ended 31 December 2020 which comprise the consolidated statement of profit or loss and other comprehensive income, consolidated and Parent Company statement of financial position, consolidated and Parent Company statement of changes in equity, consolidated and Parent Company statement of cash flows, and the related notes, including the accounting policies in note 3.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of, and as applied in accordance with the provisions of, the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation to the extent applicable.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the Directors on 2 July 2014. The period of total uninterrupted engagement is for the seven financial years ended 31 December 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole		**£2.1m (2019: £3.0m)** 0.75% of three-year average total revenues (2019: 5.0% of normalised profit before tax)
Coverage		100% (2019:100%) of Group revenues and profit before tax
Key audit matters vs 2019		
Recurring risks	Estimation of future cash collections from portfolio investments	▲
	Recoverability of Parent Company's investment in subsidiaries	◀▶
Event driven	**New:** Going concern including the impact of COVID-19	▲

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with

our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Key audit matter	The risk	Our response
Estimation of future cash collections from portfolio investments **(Group)** (£1,042.2 million; 2019: £1,163.6 million) Comprising: • Amortised cost (£793.6 million, 2019: £932.2 million) • Fair Value Through Profit and Loss (£187.4 million, 2019: £169.8 million) • Real Estate inventories (£61.2 million, 2019: £61.6 million) *Refer to page 77 (Audit Committee Report), page 129 (accounting policy) and page 155 (financial disclosures) of the 2020 Annual Report.*	**Forecast based valuation:** The measurement of portfolio investments involves significant judgement and estimation of the remaining cash collections in each portfolio. The impact of COVID-19 related macroeconomic uncertainty has increased the level of judgement and estimation related to the measurement of portfolio investments. The areas where we identified heightened levels of judgement and estimation in the measurement of portfolio investments and therefore increased audit focus are: • **Model estimations** – inherently judgemental modelling is used to estimate future cash flows. The assumptions used in the models include the probability and timing of expected future cash flows for each type of asset class within a portfolio or at a portfolio level. The Group adapted its cash-flow modelling in the year to respond to COVID-19 related macroeconomic uncertainty. • **Economic scenarios –** significant judgement is applied to determine the economic scenarios used and the probability weighting assigned to each, particularly with COVID-19 related macroeconomic uncertainty. • **Collection strategy** – the estimate of remaining cash collections are sensitive to changes in management's strategy in managing the portfolios. • **Business plan assumptions** – the estimation of remaining cash collections for each portfolio investment is underpinned by a business plan. Significant judgement and estimation is applied in determining a portfolio investment business plan, particularly in light of COVID-19 related macroeconomic uncertainty. The effect of these matters is that, as part of our risk assessment, we determined that estimation of future cash collections from	Our procedures included: • **Controls design:** We assessed the design, implementation and operating effectiveness of controls over data used in the cash flow forecasting models including monitoring of debt servicer collections, reconciliations of system cash collected to actual receipts, general IT controls over the collection systems driving the estimated future cash flows and associated governance controls. • **Our financial risk modelling expertise:** We assessed the implementation and methodology of the most significant models used in valuing the portfolio investments using our own financial modelling and valuation specialists. We specifically assessed the appropriateness of changes to the Group's methodology to estimate future cash flows by consideration of recent cash flow collections in light of COVID-19 macroeconomic uncertainty. • **Our economic scenario expertise:** We involved our economic specialists to assist us through benchmarking to industry consensus and wider market to assess the appropriateness of the Group's judgement and methodology for determining the economic scenarios used and the probability weightings applied to them. • **Critical assessment of cash flows:** We undertook a risk based selection process to determine a sample to critically assess the cash flow forecasts and any manual adjustments made by the Group. The assessment of cash flows was made with reference to actual historic collections, underlying economic and operational conditions and our understanding of the Group. We also considered the methodology against our knowledge of our industry peers.

Key audit matter	The risk	Our response
	all portfolio investments has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount. The financial statements (note 24) disclose the sensitivity estimated by the Group. **Disclosure quality** The disclosures regarding the Group's application of IFRS-9 are key to explaining the key judgements and estimation to the portfolio valuation.	• **Recalculations**: We recalculated the portfolio investment valuation for each of the Group's portfolios. We performed sample testing over key inputs, data and assumptions to assess the reasonableness of economic forecasts, weights, and model assumptions applied. • **Assessing transparency:** We critically assessed the adequacy of the disclosures regarding the degree of estimation uncertainty involved in arriving at the valuation and the accounting judgements made in determining the measurement basis and valuation. **Our results** • We found the estimation of future cash collections from portfolio investments to fall within an acceptable range and the related disclosures to be acceptable (2019 result: acceptable).
Going concern including the impact of COVID-19 **(Group and Parent Company)** *Refer to page 77 (Audit Committee Report), page 125 (basis of preparation and going concern statement) of the 2020 Annual Report.*	**Disclosure quality:** The financial statements explain how the Directors have formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and Parent Company, with no material uncertainty identified and disclosed. That judgement is based on an evaluation of the inherent risks to the Group's and Parent Company's business model and how those risks might affect the Group's and Parent Company's financial resources over a period of at least a year from the date of approval of the financial statements in a range of plausible stress scenarios. The risk most likely to affect the Group's and Parent Company's financial resources over the period was the heightened macroeconomic uncertainty, due to COVID-19 effects. This could result in reduced cash collections from the Group's portfolio investments. We considered whether these risks could plausibly affect covenant compliance in the going concern period by assessing the directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible,	Our procedures included: • **Our sector experience:** We considered the Directors' assessment of sources of risk for the Group's and Parent Company's business and financial resources compared with our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks. • **Challenge of assumptions**: We inspected the Group's and Parent Company's forecasting and liquidity plans to identify the key assumptions within these. We challenged the reasonableness of assumptions underpinning the Group's and Parent Company's forecasts. We compared the accuracy of management prior projections versus actuals. • **Funding assessment:** We evaluated management's assessment of the entity's compliance with debt covenants and evaluated the feasibility of management actions to improve the position should a material risk arise. • **Sensitivity analysis:** We challenged management's sensitivities over the level of available financial resources indicated by the Group's and Parent

Key audit matter	The risk	Our response
	adverse effects that could arise from these risks individually and collectively. The risk for our audit is whether or not a material uncertainty exists that may cast significant doubt on the ability of the Group and Parent Company to continue as a going concern. Had there been such an uncertainty, then that fact would need to be disclosed.	Company's financial forecasts, taking account of reasonably possible, but not unrealistic, adverse effects that could arise from these risk individually and collectively. We critically assessed and challenged the stress testing performed by management. • **Assessing transparency:** We assessed the completeness and accuracy of the matters covered in the going concern disclosure within the financial statements using our knowledge of the relevant facts and circumstances developed during our audit work whilst considering the economic outlook, key areas of estimation uncertainty and mitigating actions available to the Group and Parent Company to respond to these risks. **Our results** • We found the going concern disclosure without any material uncertainty to be acceptable (2019: acceptable).
Impairment of Parent Company's investment in subsidiaries and recoverability of parent's debt due from Group entities (Investment in subsidiaries £308.2 million; 2019: £307.5 million) (Parent's debt due from Group entities £3.3 million; 2019: £1.5 million) **Parent only** *Refer to page 77 (Audit Committee Report), page 126 (accounting policy) and page 151 (financial disclosures) of the 2020 Annual Report.*	**Low risk, high value:** The carrying amount of the Parent Company's investments in subsidiaries and intra-Group debtor balance represents 100% (2019: 100%) of the Parent Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.	We performed the tests below rather than seeking to rely on any of the Parent Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: • **Tests of detail:** We compared the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. We assessed 100% of group debtors to identify, with reference to the relevant debtors' draft balance sheet, whether they have a positive net asset value and therefore coverage of the debt owed, as well as assessing whether those debtor companies have historically been profit-making. • **Assessing subsidiary audits:** We assessed the ability of the subsidiary

Key audit matter	The risk	Our response
		to obtain liquid funds and therefore the ability of the subsidiary to fund the repayment of the receivable. • **Comparing valuations:** For the investments where the carrying amount exceeded the net asset value, we compared the carrying amount of the investment with the higher of the Group's fair value (using the market capitalisation as a suitable approximation) and the expected value of the underlying business based on discounted cash flows. **Our results** We found the Parent Company's conclusion that there is no impairment of its investments in subsidiaries and intra-group debtor balances to be acceptable (2019: acceptable).

Changes to our risks

We continue to perform procedures over fair value of intangible assets acquired as part of business combinations. However, with no new business combinations in the current financial period, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

In the prior year we reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. Following the trade agreement between the UK and the EU, and the end of the EU-exit implementation period, the nature of these uncertainties has changed. We continue to perform procedures over material assumptions in forward looking assessments such as estimation of portfolio investment future cash-flows and going concern, however, we no longer consider the effect of the UK's departure from the EU to be a separate key audit matter.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £2.1m, determined with reference to a benchmark of revenue, normalised by averaging over the last three years due to the impact of the COVID-19 pandemic on business operations, to £289.6m of which it represents 0.75%. In the prior year, materiality was set at £3.0m, determined with reference to group profit before tax, normalised to exclude £1.3m acquisition costs and £6.9m related to the expansion of the fund management business, of which it represented 5%. We consider total revenue to be the most appropriate benchmark as it provides a more stable measure year on year than group profit before tax, in addition, the loss before tax reported in the current year is such that group profit before tax no longer serves as a useful benchmark.

Materiality for the Parent Company financial statements as a whole was set at £1.6m (2019: £1.9m), determined with reference to a benchmark of Parent Company total assets, of which it represents 0.3% (2019: 0.4%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 65% (2019: 65%) of materiality for the financial statements as a whole, which equates to £1.4m (2019: £1.9m) for the group and £1.0m (2019: £1.2m) for the parent company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the audit committee any corrected or uncorrected identified misstatements for the Group financial statements exceeding £100,000 (2019: £150,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

How we scoped our audit

Of the Group's 8 (2019: 3) reporting components, we subjected 7 (2019: 3) to full scope audits for Group purposes and 1 to specified risk-focused audit procedures. For 2020, we changed the definition of components from geographical location (in 2019) to reporting component for consolidation purposes.

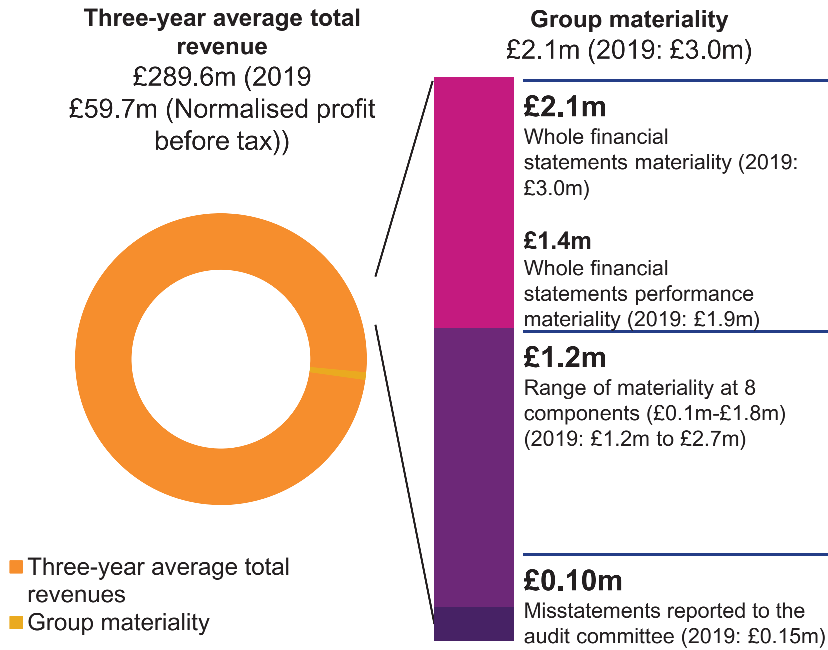
The components within the scope of our work accounted for the percentages illustrated opposite.

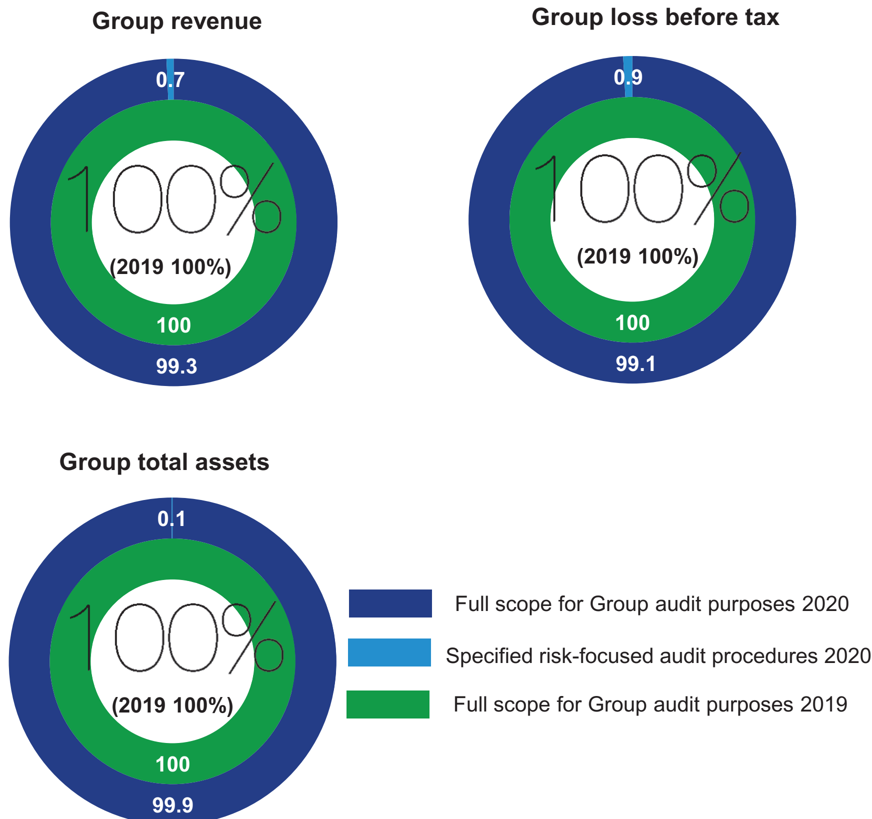
The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back.

The Group team approved the component materialities, which ranged from £0.1m to £1.8m (2019: £1.2m to £2.7m), having regard to the mix of size and risk profile of the Group across the components.

The work on the overseas components was performed by overseas component auditors. The audit of the UK component (including the audit of the Parent Company), was performed by the Group team.

The Group team held video conference meetings with the overseas component auditors throughout the audit. During these meetings, the findings reported to the Group team were discussed in more detail, key audit working papers were reviewed, and any further work required to be performed by the component auditor was instructed by the Group team.





4. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, and as they have concluded that the Group's and the Parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

An explanation of how we evaluated management's assessment of going concern is set out in the related key audit matter in section 2 of this report.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the Directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Parent Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- the related statement under the Listing Rules set out on page F-39 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Parent Company will continue in operation.

5. Fraud and breaches of laws and regulations–ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, the audit committee, internal audit and inspection of policy documentation to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board minutes and attending audit committee meetings;
- Considering remuneration incentive scheme and performance targets for management; and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group to full scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. On this audit we do not believe there is a fraud risk related to revenue recognition, with the exception of revenue earnt from portfolio investments, because the calculation of revenue is based on contractual terms and requires no judgement.

We also identified a fraud risk in response to pressure to meet profit targets related to the measurement of expected cash collections for portfolio investments.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by members of the Executive Committee or Board, those posted by unauthorised individuals, those posted to unusual or seldom accounts, those containing key words, those entries which have a value of zero or are unbalanced and those posted by individuals who rarely do during ordinary course of business, and
- Assessing significant accounting estimates for bias.

We discussed with the audit committee matters related to actual or suspected fraud, for which disclosure is not necessary, and considered any implications for our audit.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to full-scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the Group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at Group.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: data protection, anti-bribery, consumer protection and certain aspects of Company legislation, recognising the financial and regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the audit committee matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the statement of viability on page 53 of the 2020 Annual Report that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal risks and uncertainties disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the Directors' explanation in the statement of viability of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the statement of viability, set out on page 53 of the 2020 Annual Report under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Parent Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the audit committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 111 of the 2020 Annual Report, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Group'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 Group'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 Group and the Group's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Simon Ryder (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

23 March 2021

Financial statements

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2020

	Note	**2020 £000**	2019 £000
Income from portfolio investments at amortised cost	24	**164,597**	199,094
Fair value gains on portfolio investments at FVTPL	24	**4,976**	32,397
Impairment (losses)/gains on portfolio investments	24	**(100,436)**	12,714
Income from real estate inventories	24	**492**	561
Total income from portfolio investments		**69,629**	244,766
Income from asset management and servicing and fund and investment management	5	**97,026**	94,360
Gain on disposal of leases		**453**	—
Other income		**384**	392
Total income		**167,492**	339,518
Operating expenses:			
Collection activity and fund management costs	10	**(130,572)**	(131,527)
Other operating expenses	10	**(94,248)**	(102,173)
Total operating expenses		**(224,820)**	(233,700)
Operating (loss)/profit		**(57,328)**	105,818
Finance income	7	**61**	61
Finance costs	8	**(57,556)**	(54,559)
(Loss)/profit before tax		**(114,823)**	51,320
Taxation credit/(charge) on ordinary activities	11	**21,206**	(14,033)
(Loss)/profit after tax		**(93,617)**	37,287
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign exchange translation difference arising on revaluation of foreign operations		**6,741**	(7,077)
Movement on hedging reserve		**356**	161
Total comprehensive (loss)/income		**(86,520)**	30,371
(Loss)/profit after tax attributable to:			
Owners of the Company		**(92,829)**	35,223
Non-controlling interest		**(788)**	2,064
		(93,617)	37,287
Comprehensive (loss)/income attributable to:			
Owners of the Company		**(85,732)**	28,307
Non-controlling interest		**(788)**	2,064
		(86,520)	30,371
Basic EPS (£)	12	**(0.52)**	0.20
Diluted EPS (£)	12	**(0.52)**	0.19

Note – There has been a reclassification between the two operating expenses rows ‘collection activity and fund management costs’ and ‘other operating expenses’ in the prior year. This change was made to better reflect the evolved nature of the Group’s business model and presenting direct costs of the Group’s business lines is deemed to provide more relevant information. As such, we have reclassified £21,729,000 from ‘other operating expenses’ to ‘collection activity and fund management costs’ in the prior period. The total operating expenses impact is £nil. Further information can be found in note 10.

The parent company’s profit after tax for the year was £8,330,000 (2019: £11,897,000).

Consolidated and parent company statement of financial position
As at 31 December 2020

	Note	**Group 2020 £000**	As re-presented Group 2019 £000	**Company 2020 £000**	Company 2019 £000
Assets					
Cash and cash equivalents	31	**182,892**	115,376	**49**	18
Trade and other receivables	16	**71,372**	48,483	**224,924**	212,717
Portfolio investments – amortised cost	24	**793,554**	932,199	**—**	—
Portfolio investments – FVTPL	24	**187,421**	169,799	**—**	—
Portfolio investments – real estate inventories	24	**61,240**	61,626	**—**	—
Property, plant and equipment	15	**17,612**	24,521	**—**	—
Intangible assets	14	**38,709**	38,159	**—**	—
Deferred tax asset	11	**31,782**	10,759	**—**	—
Investment in subsidiary undertakings	23	**—**	—	**308,200**	307,500
Goodwill	13	**278,338**	267,700	**—**	—
Total assets		**1,662,920**	1,668,622	**533,173**	520,235
Liabilities					
Bank overdrafts	29	**3,648**	1,386	**—**	—
Revolving credit facility	29	**277,552**	230,963	**—**	—
Derivative liability	26	**83**	509	**—**	—
Trade and other payables	17	**166,965**	223,001	**4,057**	2,007
Current tax liability		**2,110**	7,645	**1,986**	697
Other borrowings	29	**3,247**	3,672	**—**	—
Asset-backed loans	29	**143,985**	84,077	**—**	—
Senior secured notes	29	**930,575**	897,875	**—**	—
Deferred tax liability	11	**18,056**	17,637	**—**	120
Total liabilities		**1,546,221**	1,466,765	**6,043**	2,824
Equity					
Share capital	19	**1,774**	1,769	**1,774**	1,769
Share premium	19	**347,436**	347,436	**347,436**	347,436
Retained earnings		**38,506**	129,240	**184,288**	174,012
Hedging reserve		**(67)**	(423)	**—**	—
Other reserves		**(274,451)**	(280,630)	**(6,368)**	(5,806)
Total equity attributable to shareholders		**113,198**	197,392	**527,130**	517,411
Non-controlling interest		**3,501**	4,465	**—**	—
Total equity		**116,699**	201,857	**527,130**	517,411
Total equity and liabilities		**1,662,920**	1,668,622	**533,173**	520,235

The 2019 balance sheet has been re-presented to show £26,611,000 of bank balances subject to certain restrictions within cash and cash equivalents in the year, that were previously shown within trade and other receivables. See note 16 on page F-73 for more detail.

Approved by the board of directors on 23 March 2021, signed and authorised for issue on its behalf by:

Matt Hotson
Group chief financial officer

Lee Rochford
Group chief executive officer

Company number: 08649661

Consolidated and parent company statement of changes in equity

For the year ended 31 December 2020

Group	Ordinary shares £000	Share premium £000	Retained earnings £000	Hedging reserve £000	Own share reserve[1] £000	Translation reserve[1] £000	Merger reserve[1] £000	Total £000	Non-controlling interest £000	Total £000
Balance at 1 January 2019	1,763	347,436	115,642	(584)	(5,800)	9,214	(276,961)	190,710	601	191,311
Profit after tax	—	—	35,223	—	—	—	—	35,223	2,064	37,287
Exchange differences	—	—	—	—	—	(7,077)	—	(7,077)	—	(7,077)
Recycled to profit after tax	—	—	—	7	—	—	—	7	—	7
Net fair value gains – cash flow hedges	—	—	—	187	—	—	—	187	—	187
Tax on hedged items	—	—	—	(33)	—	—	—	(33)	—	(33)
Total comprehensive income for the year	—	—	35,223	161	—	(7,077)	—	28,307	2,064	30,371
Shares issued	6	—	—	—	—	—	—	6	—	6
Repurchase of own shares	—	—	—	—	(6)	—	—	(6)	—	(6)
Share-based payments net of tax	—	—	1,437	—	—	—	—	1,437	—	1,437
Dividend paid	—	—	(23,062)	—	—	—	—	(23,062)	—	(23,062)
Non-controlling interest on acquisition	—	—	—	—	—	—	—	—	1,800	1,800
Balance at 31 December 2019	1,769	347,436	129,240	(423)	(5,806)	2,137	(276,961)	197,392	4,465	201,857
Loss after tax	**—**	**—**	**(92,829)**	**—**	**—**	**—**	**—**	**(92,829)**	**(788)**	**(93,617)**
Exchange differences	**—**	**—**	**—**	**—**	**—**	**6,741**	**—**	**6,741**	**—**	**6,741**
Net fair value gains – cash flow hedges	**—**	**—**	**—**	**427**	**—**	**—**	**—**	**427**	**—**	**427**
Tax on hedged items	**—**	**—**	**—**	**(71)**	**—**	**—**	**—**	**(71)**	**—**	**(71)**
Total comprehensive loss for the year	**—**	**—**	**(92,829)**	**356**	**—**	**6,741**	**—**	**(85,732)**	**(788)**	**(86,520)**
Shares issued	**5**	**—**	**—**	**—**	**—**	**—**	**—**	**5**	**—**	**5**
Repurchase of own shares	**—**	**—**	**—**	**—**	**(562)**	**—**	**—**	**(562)**	**—**	**(562)**
Share-based payments net of tax	**—**	**—**	**1,946**	**—**	**—**	**—**	**—**	**1,946**	**—**	**1,946**
Repurchase of non-controlling interest	**—**	**—**	**232**	**—**	**—**	**—**	**—**	**232**	**(232)**	**—**
Change in non-controlling interest	**—**	**—**	**(83)**	**—**	**—**	**—**	**—**	**(83)**	**56**	**(27)**
Balance at 31 December 2020	**1,774**	**347,436**	**38,506**	**(67)**	**(6,368)**	**8,878**	**(276,961)**	**113,198**	**3,501**	**116,699**

1. Other reserves total £274,451,000 deficit (2019: £280,630,000 deficit).

Company	Ordinary shares £000	Share premium £000	Retained earnings £000	Own share reserve £000	Total £000
Balance at 1 January 2019	1,763	347,436	183,740	(5,800)	527,139
Profit after tax	—	—	11,897	—	11,897
Total comprehensive income for the year	—	—	11,897	—	11,897
Shares issued	6	—	—	—	6
Repurchase of own shares	—	—	—	(6)	(6)
Share-based payments	—	—	1,437	—	1,437
Dividend paid	—	—	(23,062)	—	(23,062)
Balance at 31 December 2019	1,769	347,436	174,012	(5,806)	517,411
Profit after tax	**—**		**8,330**	**—**	**8,330**
Total comprehensive income for the year	**—**	**—**	**8,330**	**—**	**8,330**
Shares issued	**5**	**—**	**—**	**—**	**5**
Repurchase of own shares	**—**	**—**	**—**	**(562)**	**(562)**
Share-based payments	**—**	**—**	**1,946**	**—**	**1,946**
Balance at 31 December 2020	**1,774**	**347,436**	**184,288**	**(6,368)**	**527,130**

Consolidated and parent company statement of cash flows
For the year ended 31 December 2020

	Note	**Group 2020 £000**	As re-presented Group 2019 £000	**Company 2020 £000**	Company 2019 £000
Net cash generated by operating activities	31	**41,510**	6,456	**1,288**	23,072
Investing activities					
Purchase of property, plant and equipment	15	**(2,449)**	(1,269)	**—**	—
Purchase of intangible assets	14	**(11,375)**	(11,830)	**—**	—
Proceeds from disposal of intangible assets and property, plant and equipment		**—**	18	**—**	—
Acquisition of subsidiaries, net of cash acquired	30	**(27)**	(2,850)	**(700)**	—
Deferred consideration paid in connection with subsidiary acquisitions		**(7,149)**	(12,004)	**—**	—
Net cash used in investing activities		**(21,000)**	(27,935)	**(700)**	—
Financing activities					
Movements in other banking facilities		**34,687**	(7,499)	**—**	—
Proceeds from ABS issuing		**62,440**	85,604	**—**	—
Increase in non-controlling interest on acquisition		**—**	1,800	**—**	—
Repayment of interest on senior notes		**(38,860)**	(33,726)	**—**	—
Repayment of interest on asset-backed loans		**(3,909)**	(2,144)	**—**	—
Repurchase of own shares		**(562)**	(6)	**(562)**	(6)
Issue of share capital		**5**	6	**5**	6
Bank interest received	7	**61**	61	**—**	—
Bank and other similar fees paid		**(7,622)**	(8,452)	**—**	—
Lease payments	21	**(5,636)**	(5,061)	**—**	—
Payment of dividends	20	**—**	(23,062)	—	(23,062)
Payment of deferred interest		**(328)**	—	**—**	—
Net cash flow generated by/(used in) financing activities		**40,276**	7,521	**(557)**	(23,062)
Net increase/(decrease) in cash and cash equivalents		**60,786**	(13,958)	**31**	10
Cash and cash equivalents at beginning of year		**115,376**	132,672	**18**	8
Effect of exchange rates on cash and cash equivalents		**6,730**	(3,338)	**—**	—
Cash and cash equivalents at end of year		**182,892**	115,376	**49**	18

Included within cash and cash equivalents is £12,902,000 (2019: £26,611,000) of cash which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated securitisation structure awaiting a payment date. The 2019 reconciliation above has been re-presented to remove these amounts from the net cash generated by operating activities, as in the prior year they were included within this line item, but are now included within cash and cash equivalents at the beginning and end of each year.

Notes to the Financial Statements
For the year ended 31 December 2020

1.1 General information

Arrow Global Group plc (‘the Company’) is a company incorporated in England and Wales and is the ultimate parent company of the Group. The address of the registered office is presented on the inside back cover. The financial statements are presented in Pounds Sterling, which is the Company’s functional currency. All amounts have been rounded to the nearest thousand except when otherwise indicated. The Company’s subsidiaries, both direct and indirect, at 31 December 2020 are listed in note 23.

The Group’s principal activity is to identify, acquire and manage secured and unsecured defaulted and non-core loan portfolios and real estate from, and on behalf of financial institutions such as banks, institutional investors and credit card companies.

1.2 Basis of preparation, consolidation and going concern

The Group’s and the Company’s financial statements for the year ended 31 December 2020 have been prepared in accordance with the international accounting standards in conformity with the requirements of the Companies Act 2006 (’Adopted IFRS’). The accounting policies have been applied consistently in the current and prior periods, noting a refinement of approach to the valuation of the portfolio assets in response to the COVID-19 situation, which is set out in detail in note 4.

The Group financial statements have also been prepared in accordance with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU.

As permitted by section 408 of the Companies Act 2006, a separate income statement and related notes of the Company have not been presented in this annual report and accounts. As permitted by section 479c of the Companies Act 2006, the Group has chosen to take the subsidiary companies audit exemption in the UK, with the parent Company providing a declaration of guarantee for the year ended 31 December 2020. A full listing of the subsidiaries availing of the guarantee and audit exemption is set out in note 23.

The financial statements of the Group have been prepared under the historical cost convention other than the fair value of derivative contracts and certain portfolio investments and the amortised cost accounting for other financial assets and liabilities.

Going concern statement

In assessing whether the going concern basis is appropriate to adopt for the Group as at 31 December 2020, the directors have undertaken thorough analysis of forecast cash flow models and scenarios for a period of at least 12 months from the date of approval of these accounts, with the primary focus of detailed forecasting running to the end of 2022.

Additionally, in response to the COVID-19 crisis and its anticipated impacts on Estimated Remaining Collections (ERC), the Group has protected its liquidity and covenant position by raising additional funding and has renegotiated its financial covenants with its revolving credit facility lenders, as set out further in note 29.

A base case forecast, and several downside scenarios, have been prepared reflecting the Group’s current financial position and expected future performance. Key items considered within each forecast were the future outlook for HPI and unemployment, including the length and severity of any potential macroeconomic shock, and the impact these may have on the Group’s cash flows. These cash flows were considered against the Group’s future liquidity position, taking into account that there are no bond maturities until 2024. Adherence to the Group’s liquidity, leverage and ERC loan-to-value covenants was also considered in all scenarios.

The results of this scenario analysis show that even in a severe but plausible downside scenario, after taking reasonable management actions (such as cost reductions, slowing purchases and collection acceleration) as required, the Group is able to maintain sufficient liquidity and cash reserves to operate within banking covenants, and to continue as a going concern. This scenario was aligned to the severe downside forecasts outlined in note 24.

Finally, a reverse stress test has also been prepared, incorporating a plausible set of management actions, to identify the magnitude of a downside stress that needs to occur to cause the group to breach its financial

1.2 Basis of preparation, consolidation and going concern continued

covenants. It has been concluded that this represents an overly severe and implausible scenario. Based on all of the above indicators, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

2. Accounting standards

New standards

The following new standards and interpretations are mandatory for the year beginning 1 January 2020:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of a Business (Amendments to IFRS 3);
- Definition of Material (Amendments to IAS 1 and IAS 8);
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7); and
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4).

The Group chose to early adopt the 'Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7' early in 2019.

During 2020, these new standards and interpretations had an insignificant effect on the consolidated financial statements.

2.1 Standards issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements as they do not have a material effect on the Group's financial statements.

The following amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- COVID-19-Related Rent Concessions (Amendment to IFRS 16);
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Annual Improvements to IFRS Standards 2018-2020;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Reference to the Conceptual Framework (Amendments to IFRS 3);
- IFRS 17 Insurance Contracts;
- Classification of liabilities as current or non-current (Amendments to IAS 1); and
- Amendments to IFRS 17.

3. Significant accounting policies

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is

3. Significant accounting policies continued

recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognised in profit or loss.

Contingent consideration

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December 2020 and the comparative period.

'Subsidiaries' are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Also, see the accounting policy 'shares held in an employee benefit trust' (EBT).

Securitisation vehicles

Securitisation vehicles in which the Group holds an economic interest are usually operated according to predetermined criteria that are part of the initial design of the vehicles. The Group is exposed to variability of returns from the vehicles through its holding of various securities in the vehicles.

Outside the day-to-day servicing of the receivables (which may be carried out by the Group under a servicing contract), key decisions are usually required only when the intent of the participants regarding the design of the economic structure or the strategy for the collection of the underlying assets changes.

In assessing whether it has control, the Group considers whether it manages the key decisions that most significantly affect these vehicles' returns, alongside its total variability related to its economic interests in the vehicles. As a result, the Group has concluded that it controls some of these vehicles, but not all (for more information on consolidated vehicles, see note 27).

3. Significant accounting policies continued

Investment funds

The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the fund (comprising any carried interests and expected management fees) and the investors' rights to remove fund manager. For all funds managed by the Group, the investors are able to vote by simple majority, less than ten investors, to remove the Group as fund manager without cause.

In summary, the number of investors who are required to act together to remove the Group as fund manager without cause is low. Although similar, the investment strategies of the Group and other investors in the fund are different, with the Group having the option to not invest in certain circumstances. Therefore, despite the Group's variability of its aggregate economic interest in some cases being above 30% (depending on which items are included/excluded), the Group has concluded that it acts as agent for the investors in all cases, and therefore has not consolidated these funds.

For further disclosure in respect of unconsolidated securitisation vehicles and investment funds in which the Group has an interest or for which it is a sponsor, see note 27.

i. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

ii. Transactions eliminated upon consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign Currency

i. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the spot exchange rates at the date of the transactions. The functional currency of the Group is pounds sterling, which is also the presentational currency of the Group.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the carrying amount in the foreign currency, translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss.

ii. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into sterling at the spot exchange rates at the reporting date. The income and expenses

3. Significant accounting policies continued

of foreign operations are translated into sterling at the monthly average exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the foreign currency translation reserve (translation reserve).

When a foreign operation is disposed of in such a way that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation whilst still retaining control, then the relevant proportion of the cumulative amount is reattributed to NCI.

Interest

i. Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not the expected credit loss (ECL).

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. This is the case for all the Group’s portfolio investments held at amortised cost, recognised since the introduction of IFRS 9.

Additionally, for such assets, the future cash flows are forecast across the next 84 months following the balance sheet date. This is the point by which substantially all of the cash flows will have been received from a normal portfolio investment.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability, such as legal and due diligence fees.

ii. Amortised cost and gross carrying amount

The ‘amortised cost’ of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation, using the effective interest method, of any difference between that initial amount and the expected cash flows and, for financial assets, adjusted for any ECL allowance. The ‘gross carrying amount of a financial asset’ is the amortised cost of a financial asset before adjusting for any ECL allowance. However, for amortised cost portfolio assets the concept of a separable ECL allowance is not applied, because due to the nature of the portfolio assets, expected cash flows are forecast including an estimate of ECLs, including multiple economic scenarios.

iii. Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in

3. Significant accounting policies continued

market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date on which amortisation of the hedge adjustment begins.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, which includes all of the Group's portfolio investments held at amortised cost, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves. Subsequently, the carrying value of the portfolios is adjusted by updating future cash receipts and discounting them using the original credit adjusted effective interest rate with the subsequent remeasurement recognised as impairment through the statement of profit or loss.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in fair value gains on portfolio investments at FVTPL.

Fair value gains on portfolio investments at FVTPL

Fair value gains on portfolio investments at FVTPL represents all of the income and expenses relating to the Group's portfolio investments which are classified as FVTPL. The line item includes fair value changes, interest and dividends.

Dividend income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in fair value gains on portfolio investments at FVTPL or other income based on the underlying classification of the instrument.

Leases

i. Group acting as a leasee

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the shorter of its useful economic life and the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

3. Significant accounting policies continued

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset. The adjustment is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities in 'trade and other payables' in the statement of financial position.

ii. Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

iii. Group acting as a lessor

None of the arrangements that the Group has entered into have been determined to constitute the Group acting as a lessor under the definitions of IFRS 16.

Taxation

i. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and has recognised the related expenses in 'other expenses'.

ii. Current tax

Current tax comprises the expected tax payable or receivable on the taxable profit or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

3. Significant accounting policies continued

Current tax assets and liabilities are offset only if certain criteria are met.

iii. Deferred tax asset

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Group.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if there is any.

Deferred tax assets and liabilities are offset only if certain criteria are met.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Financial assets and financial liabilities

i. Recognition and initial measurement

The Group initially recognises portfolio investments, debt securities issued and other financial liabilities on the date on which they are acquired. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability. The fair value of a financial instrument at initial recognition is generally its transaction price.

ii. Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

3. Significant accounting policies continued

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. No such elections have been made by the Group. All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or as at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. No such designations have been made by the Group.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Group's portfolio investments are comprised of various types of underlying credit positions. The majority of investments are held by the Group for the primary purpose of collecting the underlying cash flows to the fullest extent possible. Sales of such portfolio investments are not a common occurrence and are not part of management's strategy for such investments when they are purchased.

The Group's co-investment alongside its Fund and Investment Management business is deemed to be held in a different business model than 'hold to collect', as these portfolio investments are managed primarily on a fair value basis, with reporting to senior management on the performance of these assets being prepared on that basis, and key management remuneration being linked to the performance of such assets on a fair value basis. As such, the business model of these assets is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. As such, the Group's co-investment alongside its Fund and Investment Management business is classified as FVTPL.

3. Significant accounting policies continued

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events changing the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Equity and similar instruments have contractual cash flows that do not meet the SPPI criterion. Accordingly, all such financial assets are measured at FVTPL unless the FVOCI option is selected.

Contractually linked instruments

The Group has some investments in securitisations that are considered contractually linked instruments. Contractually linked instruments each have a specified subordination ranking that determines the order in which any cash flows generated by the pool of underlying investments are allocated to the instruments. Such an instrument meets the SPPI criterion only if all of the following conditions are met:

- the contractual terms of the instrument itself give rise to cash flows that are SPPI without looking through to the underlying pool of financial instruments;
- the underlying pool of financial instruments (i) contains one or more instruments that give rise to cash flows that are SPPI; and (ii) may also contain instruments, such as derivatives, that reduce the cash flow variability of the instruments under (i) and the combined cash flows (of the instruments under (i) and (ii)) give rise to cash flows that are SPPI; or align the cash flows of the contractually linked instruments with the cash flows of the pool of underlying instruments under (i) arising as a result of differences in whether interest rates are fixed or floating or the currency or timing of cash flows; and
- the exposure to credit risk inherent in the contractually linked instruments is equal to or less than the exposure to credit risk of the underlying pool of financial instruments.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

3. Significant accounting policies continued

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

i. Modifications of financial assets and financial liabilities

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset. The gain or loss is presented as interest income calculated using the effective interest rate method.

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as a derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

ii. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3. Significant accounting policies continued

Income and expenses are presented on a net basis only when permitted under IFRS Standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

iii. Fair value measurement

'Fair value' is 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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

iv. Impairment

The Group recognises loss allowances for ECL on financial assets that are debt instruments, and that are not measured at FVTPL. No impairment loss is recognised on equity investments. The Group has not taken the low credit risk exemption for any of its financial assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition (excluding credit-impaired assets), for which they are measured as 12-month ECL.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognised but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

3. Significant accounting policies continued

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date, except POCI financial assets: as the difference between the gross carrying amount and the present value of estimated future cash flows; or
- POCI financial assets: the ECL is incorporated into the estimated future cash flows, therefore it is not possible to separate this from a 'gross carrying amount' of these assets. As such, although ECL is incorporated into the carrying amount, a separate loss allowance is not held for POCI financial assets. The only material assets in this category are the portfolio investments held at amortised cost.

When discounting future cash flows, the following discount rates are used:

- financial assets other than purchased or originated credit-impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof;
- POCI assets: a credit-adjusted effective interest rate; or
- lease receivables: the discount rate used in measuring the lease receivable.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; or
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past-due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

3. Significant accounting policies continued

POCI financial assets

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective interest rate on initial recognition. Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

Designation at fair value through profit or loss

The Group has not designated any financial assets or liabilities as FVTPL in either the current or previous periods.

Cash and cash equivalents

'Cash and cash equivalents' include notes and coins on hand and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Derivatives held for risk management purposes and hedge accounting

All derivatives are measured at fair value in the statement of financial position. The Group designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship.

The Group makes an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80–125%. For a cash flow hedge of a forecast transaction, the Group makes an assessment of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Other assets

No ECL has been recognised for intercompany loans, cash and cash equivalents or trade and other receivables, on the basis that the ECL on such items is deemed to be immaterial.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in the hedging reserve is reclassified from OCI to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and OCI.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty clearing house by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated. If the hedged cash flows are no longer

3. Significant accounting policies continued

expected to occur, then the Group immediately reclassifies the amount in the hedging reserve from OCI to profit or loss. For terminated hedging relationships, if the hedged cash flows are still expected to occur, then the amount accumulated in the hedging reserve is not reclassified until the hedged cash flows affect profit or loss; if the hedged cash flows are expected to affect profit or loss in multiple reporting periods, then the Group reclassifies the amount in the hedging reserve from OCI to profit or loss on a straight-line basis.

Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised within other income in profit or loss.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

iii. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property and equipment for the current and comparative periods are as follows:

Furniture	five years
Computer equipment	three years
Leasehold improvements	five years
Vehicles	three years
Right-of-use assets	based on contractual terms

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets and goodwill

i. Software licences and IT platforms

Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software, such as IT platforms, is recognised as an asset when the Group is able to demonstrate that the product is technically and commercially feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and that it can reliably measure the costs to complete the development.

Intangible assets and goodwill

The capitalised costs of internally developed software include all costs directly attributable to developing the software plus capitalised borrowing costs and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

3. Significant accounting policies continued

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as it is incurred.

Software, including IT platforms, is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is three to ten years. Amortisation is disclosed within other expenses within the statement of profit and loss.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

ii. Customer intangibles

When the Group acquires businesses which have material ongoing customer relationships, whether they are contractual or not, the principles of IFRS 3 dictate that the fair value of such customer relationships must be estimated and recognised on the balance sheet at the acquisition date. The impact of this is to effectively reduce the goodwill recognised on acquisition.

Subsequent to the initial recognition of such assets, they are amortised over the expected life of the customer relationships with the Group. This amortisation is recognised within operating expenses.

The useful lives and carrying values of customer intangibles are reviewed at each reporting date and adjusted if appropriate.

iii. Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future post-tax cash flows, discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. The Group's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. Significant accounting policies continued

Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds net of any transaction costs incurred. Borrowings are stated subsequently at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of profit or loss and other comprehensive income over the expected life of the borrowings using the EIR. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will be required to settle that obligation with an outflow of economic resources. Provisions are measured at the directors' best estimate of the consideration required to settle that obligation at the date of the consolidated statement of financial position and are discounted to present value.

Employee benefits

i. Share-based payment transactions

Share-based payment transactions in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payments.

The grant date fair value of the share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employee becomes unconditionally entitled to the awards.

The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

For share-based payments with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. Where the Company grants rights to its equity instruments to employees of its subsidiaries, the costs are recharged to the subsidiary in line with the requirements of IFRS 2 'Share-based payments'.

ii. Shares held in an employee benefit trust (EBT)

Transactions of the Company sponsored EBT are treated as being those of the Company and are therefore, reflected in these financial statements.

iii. Retirement benefit costs

Payments to defined contribution retirement schemes are charged as the employees provide services to the Group.

The Group makes 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.

Inventories

As part of the Group's investment activities, it sometimes acquires real estate positions as part of a transaction. Where such real estate is acquired for the purposes of immediate resale, or where a sale will immediately follow

3. Significant accounting policies continued

a period of time where capital expenditure is being applied to the asset, such investments fall under the scope of IAS 2 – Inventories.

In line with IAS 2, all assets classified as inventories are held at initial cost, plus any subsequent cost of capital expenditure. Such assets are held at the lower of cost and net realisable value, but apart from this, no gain or loss will be taken on the value of the assets until the point at which they are sold, or partially sold.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity, or can demonstrate significant influence, or evidence through a number of aspects such as representation on the board of directors, participation in policy-making and decisions, material transactions between the entity and investee, interchange of managerial personnel or provision of essential technical information. Associates are accounted for using the equity method and are initially recognised at cost. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of the associate from the date that significant influence commences until the date that it ceases.

Share capital and reserves

i. Share capital

Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

ii. Other reserves

Other reserves include the own share reserve, the translation reserve and the merger reserve. These reserves are further explained in note 19.

Intercompany receivables

The Company holds material intercompany receivables within its statement of financial position.

These have been assessed under the IFRS 9 ECL criteria, measuring expected losses over the longest contractual period the Company is exposed to credit risks. The Company has concluded that these assets have no material ECL.

Income from asset management and servicing

I. Servicing fees

The Group undertakes various asset servicing and collection roles on behalf of its customers. The majority of this activity is performed at a point in time, and the service is deemed to have been provided to the customer either due to the passage of time, or upon the completion of an action such as making a collection or sending a notification to the customer. Therefore, in accordance with IFRS 15, the revenue from asset management and servicing activities is recognised either upon the completion of such actions. Where the Group is contracted to perform activities over time, such as master servicing arrangements, the fee is recognised as the services are performed, with time elapsed being the measure of progress.

Ii. Asset management fees

The Group earns management fees from its performance of asset management services. Management fees are charged on third-party money managed by the Group and are based on an agreed percentage of either committed money, invested money or net asset value (NAV), dependent on the fund. Management fees are variable fee

3. Significant accounting policies continued

revenue streams, which relate to one performance obligation and contain a non-performance and performance-related fee element. The non-performance element of the fee is recognised as the services are performed, with time elapsed being the measure of progress. Performance related fees are discussed below.

iIi. Performance-related fees

Performance-related fees are recognised only where it is highly probable that the revenue will not be reversed in the future. This is generally near the end of the performance period or upon early liquidation of a fund. Performance-related fees will only be crystallised when a performance hurdle is met. The estimate of performance fees is made with reference to the liquidation profile for the fund, which factors in portfolio exits and timeframes. A constraint is applied to the estimate to reflect uncertainty of future fund performance.

iv. Contract balances

In some instances, fees may be paid to a third party which are directly linked to the acquisition of a long-term contract with a customer. In line with IFRS 15 requirements, such costs are taken to the balance sheet as a cost to acquire a customer contract, and are released to the comprehensive statement of profit or loss over time, on a profile corresponding with the period over which economic benefits will be derived from the contract. Further Information on the Group's contract balances can be found in note 6.

Operating expenses

Operating expenses relate to administration and costs associated with collection activities. All operating costs are accounted for on an accruals basis.

Earnings per share

The Group presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn income and incur expenses, including income and expenses relating to transactions with any of the Group's other components, whose operating results are regularly reviewed by the Group's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Group's board (being the CODM) include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Deferred and contingent consideration

During the normal course of business, the Group enters in agreements with third parties to purchase portfolios of financial assets, and the consideration paid may include an element of deferred consideration. Such consideration is discounted at the Group's weighted average cost of debt to its present value at the point of initial recognition of the acquired portfolio asset, and this discounted amount is included within the purchase price of the portfolio asset. A liability for the discounted amount of deferred consideration is also recognised at this time. Subsequent to this, the discount taken from the gross deferred consideration payable to the initial present value is recognised in the income statement as a finance cost over time.

Usually as part of business acquisitions, the Group also enters into arrangements with third parties to pay amounts in the future which are contingent on the outcome of a future event, such as the acquired business meeting certain operational or financial targets. In such instances, the Group forms an initial estimation of the fair value of such consideration by assessing the likelihood of paying out a range of amounts, and using this analysis to calculate the probability-weighted average expected pay-out. This amount is then discounted at the

3. Significant accounting policies continued

Group's cost of debt to bring it to its present value at the point of acquisition. An assessment is made at this point as to whether the payments constitute a post-employment benefit arrangement with former owners, or not. If this is not the case, the present value is included within the consideration paid to acquire the business and within goodwill, if relevant. Each period, the discount is unwound to the income statement as a finance cost, and the liability is remeasured to its current fair value at that point in time.

4. Critical accounting judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is set out below.

i. Classification of portfolio investment assets

The Group holds the majority of its portfolio investments at amortised cost, due to the fact that management have determined that these assets meet the SPPI criteria, and are held in a 'hold to collect' business model. The SPPI criteria for each portfolio are assessed at the point each portfolio is being approved for purchase, and are based on the nature of the underlying loans which are being purchased. This determination is made for each purchase individually, unless it is a follow-on purchase of the same or very similar assets, which have already been assessed.

Regarding the 'hold to collect' business model, the Group has determined that this is the most appropriate IFRS 9 business model classification for its general portfolio holding activities, as although in the past a small number of portfolios have been sold outright to a third party, such sales do not comprise a material component of the Group's ERC at any point in time. Therefore, such infrequent sales activity is not deemed to invalidate the 'hold to collect' business model which the Group employs for the majority of its portfolios.

Another judgement that has been made regarding the Group's amortised cost portfolio assets is that they all fall within the POCI classification for IFRS 9 impairment measurement purposes. This judgement has been made by the Group, based upon the fact that historic purchase history and the current composition of the amortised cost portfolio investments shows that such assets tend to be bought at a point in time where they are credit impaired in some manner. This is supported by not only the nature of the assets, but by the fact that they are usually purchased at a deep discount, which is reflective of their incurred credit losses to date.

For some portfolio investments, the SPPI criteria is not met, or there is an element of subordination within the holding structure. In such instances, these portfolio investments are held at FVTPL. Furthermore, some portfolio investments, such as those involving real estate, do not meet the definition of a financial instrument for accounting purposes. This leads to a portion of the Group's portfolio investments being classified as 'inventories', under the scope of IAS 2.

The Group's co-investment alongside its Fund and Investment Management business is deemed to be held in a different business model than 'hold to collect', as these portfolios are managed primarily on a fair value basis, with reporting to senior management on the performance of these assets being prepared on that basis, and key management remuneration being linked to the performance of such assets on a fair value basis. As such, the business model of these assets has been judged to be neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. As such, the Group's co-investment alongside its Fund and Investment Management business is classified as FVTPL.

ii. Determination of control over investees

Arrow holds an economic interest in a number of entities which it determines under IFRS 10, that it does not control. As such, these entities are not consolidated into the Group's financial statements, but rather, the

4. Critical accounting judgements and estimates continued

investment in such entities is recognised as a single asset within the appropriate balance sheet classification, usually portfolio investments. Conversely, the Group also consolidates entities into its financial statements which it does not have 100% ownership of, but the Group is judged to control regardless.

The judgement as to whether or not the Group has control over an entity is taken on a case-by-case basis by management, and is firstly based upon whether the Group can exercise any power over the relevant activities of the entity, and if this is the case, whether there is deemed to be a link between such power and the variability of the Group's returns which arise from the entity.

In many cases, the determination of control is clear. Cases where management must apply more judgement can occur where the Group holds a minority equity-level financial interest in a structured entity, as well as providing services to these entities in a typical supplier-customer relationship capacity. In these cases, the Group mainly assesses the relative share of marginal variable returns which flow to third parties versus the share which flows to the Group as a primary indicator of whether the Group is exercising any power it may have to influence the variable returns of the structured entity, either for its own benefit, or for the benefit of third parties in the structure. In the case of the former, the entity will usually be consolidated, whereas under the latter, the entity will usually not be consolidated.

Assumptions and estimation uncertainties

i. Carrying value of portfolio investments

The carrying value of portfolio investments is £1,042,215,000 at 31 December 2020 (2019: £1,163,624,000). The majority of these portfolio investments are measured at amortised cost. Given the speed and severity of the economic changes that the COVID-19 pandemic has brought about, the Group has further refined the method by which ERCs and therefore portfolio valuations are calculated for the current accounting period.

As at 31 December 2019, a bottom-up approach was taken whereby each individual portfolio's cash flow has been modelled based on a number of factors, including balance sheet cash collections history and an array of data concerning the status of the individual loans within these portfolios, for example account-specific balance sheet cash collections history, account statuses, property statuses and valuations (for secured accounts), servicer history, and supporting data from third parties such as credit files or geo-demographics. This data has then been used in conjunction with the predicted effectiveness of any additional collection initiatives to forecast future balance sheet cash collections for each portfolio.

These forecast balance sheet cash collections were then updated for balance sheet cash collections throughout 2020, before being used as the basis for the 31 December 2020 reforecast. Management believe the nature of the current crisis has caused a temporary dislocation in how future balance sheet cash collections will trend, based on balance sheet cash collections data to date. Accordingly, the Group has instead sought to determine how the anticipated more volatile macroeconomic environment will impact the bottom-up portfolio-level ERC forecasts, via a series of overlays, taking into account forecast future macroeconomic circumstances. To achieve this, each of the Group's portfolios were first divided into a specified number of risk segments, with each segment containing loans of a similar nature (for example, UK unsecured loans).

In addition, individually material and/or complex portfolios were also considered separately as their own 'segment'. For each segment, for the most relevant macroeconomic indicators, a range of possible future outcomes was forecast, each representing either an upside, downside or severe downside scenario. The impact of each scenario on the Group's future cash flows was determined in conjunction with the Group's internal experts in the relevant segment, considering both past experience and knowledge about the current condition of the local environment.

Using statistical methods, a probability was also assigned to each segment-level scenario, giving consideration to updated external macroeconomic forecasts, balance sheet cash collections performance throughout the year and local in-house knowledge. These probabilities assigned were then used to calculate a probability-weighted ERC change for each segment, save for a small number of individual portfolios in which management judgement was applied. The weighted segment-level adjustments were then applied to each portfolio within each respective segment to allow the production of portfolio-level ERC curves.

4. Critical accounting judgements and estimates continued

The portfolio-level ERC curves were then discounted at the appropriate rate (EIR for amortised cost portfolios, a rate reflective of assumptions that market participants would use when pricing the asset for FVTPL portfolios), to obtain the revised NPV and hence carrying value of the amortised cost and FVTPL portfolio investments. For REO portfolio investments, the revised ERC curve was used to determine the net realisable value in assessing each portfolio for potential impairment.

Numerical disclosures and sensitivities have been set out in note 24, to assist the users of these statements in understanding the financial impact of the most recent reforecast.

In addition to the scenario modelling set out above, another key judgement that has been applied by management is the probability weighting of each of these scenarios. The precise weightings used have been set out in note 24 and were based on management's judgement on how each of its scenarios aligns to the macroeconomic forecasts provided by third party experts, as well as the view of local internal experts in the relevant geography and asset class. Such scenarios also take into account operational considerations that may impact balance sheet cash collections in each individual geography, such as the functioning of local court systems or property markets for example.

The estimated future cash flows generated by the above process are the key estimate/judgement in these financial statements. Flexing the expected future gross cash flows by +1/-1% would impact the closing carrying value of the amortised cost and FVTPL portfolio investments as at 31 December 2020 by +/- £9,810,000 (2019: +/- £11,020,000). The forecasting period over which ERCs are calculated is also a key estimate/judgement in these financial statements. Adding or removing six months to the cash flow forecasting period would increase/(reduce) the closing carrying value of the portfolio investments as at 31 December 2020 by £8,637,000/(£11,012,000) (2019: £12,453,000/(£17,326,000)). Note that there are a large number of inputs that are used to derive the ERC and hence the carrying value of portfolios. However, many of these are factual historical data points which do not individually involve significant estimation uncertainty, and as such, an overall combined sensitivity has been provided.

ii. Fair value of net assets acquired as part of business combinations

The Group capitalises goodwill on the acquisition of entities as discussed in the significant accounting policies. Goodwill is the excess of the consideration paid over the fair value of net assets acquired. Therefore the fair value of assets acquired directly impacts the amount of goodwill recognised on acquisition. The determination of the fair value of acquired net assets requires the exercise of management judgement, particularly for those financial assets or liabilities for which there are no quoted prices, or assets such as acquired portfolio investments and customer intangibles where valuations reflect estimates of amounts and timing of future cash flows. Different valuations would result in changes to the goodwill arising and to the post-acquisition performance of the acquired entities. Further detail on the valuation of acquired loan portfolios is given in section i. above. Note 30 provides further detail on acquisitions and the net assets acquired on each.

iii. Impairment assessment of goodwill balances

The carrying amount of goodwill is £278,338,000 at 31 December 2020. In line with the Group's accounting policies, the goodwill balance is assessed for impairment at each annual reporting date. The impairment assessment is carried out on a value in use basis, using discounted cash flow models for each cash generating unit (CGU) to determine whether the ongoing value in use of each CGU is higher than its carrying amount. No impairment was recognised as a result of the assessment performed as at 31 December 2020. This assessment is sensitive to the discount rate applied, and management's forecast future cash flows for each CGU. Further information about the methodology applied and sensitivities to these factors are disclosed in note 13.

5. Segmental reporting

The Group launched its first fund in December 2019. As the Group moves increasingly to an integrated asset manager model, it has aligned its segmental methodology during the year to the new business model. Segmental information has been provided in line with what is reviewed on a regular basis by the chief operating decision maker (CODM), which is the board of directors collectively, as defined in IFRS 8. In the Annual Report and Accounts 2019, the Group reported under three separate reportable segments. Under the new segmental

5. Segmental reporting continued

disclosure, the Group will now report under four separates reportable segments, with the Fund and Investment Management business separated out from the Asset Management and Servicing business segment. The principal business categories are as follows:

Balance Sheet business	All portfolio investments that the Group owns, and the income and costs associated with them.
Asset Management and Servicing business (AMS)	Income and costs associated with managing debt portfolios on behalf of the Group and external servicers.
Fund and Investment Management business (FIM)	Income and costs associated with managing debt portfolios on behalf of our fund clients and the Group's Balance Sheet business.
Group functions	Costs not directly associated with the other three segments, but relevant to overall oversight and control of the Group's activities.

These segments represent how the Group manages the wider business, and the organisational structure is aligned to these segments. Therefore, this has been deemed to be the appropriate level of disaggregation to provide information to the CODM. Further granularity, such as type of AMS contract, or type of Balance Sheet business portfolio, is not how the business is managed or organised, and hence such further detail has not been presented to the CODM, or in the segmental disclosures.

As part of the move to understand and provide more details over the segments under the integrated asset manager model, further work has been completed to reallocate depreciation, amortisation and forex from the Group functions to the relevant segments.

The intra-segment elimination column below removes charges made from the AMS business segment to the Balance Sheet business segment and the FIM business segment on behalf of the Group for servicing and collection of the Group and FIM's portfolio investments and performance fees charged by the FIM business in respect to its investments on behalf of the Group. The intra-segment charge is calculated on equivalent commercial terms to charging third parties.

2020	Balance Sheet business £000	AMS business £000	FIM business £000	Group functions £000	Intra-segment elimination £000	Total 2020 £000
Total income	**64,882**	**125,361**	**36,774**	**837**	**(60,362)**	**167,492**
Collection activity and fund management costs	**(98,446)**	**(71,164)**	**(21,324)**	**—**	**60,362**	**(130,572)**
Gross margin	**(33,564)**	**54,197**	**15,450**	**837**	**—**	**36,920**
Gross margin %	**(51.7)%**	**43.2%**	**42.0%**			
Other operating expenses excluding depreciation, amortisation and forex	**(10,724)**	**(38,599)**	**(12,800)**	**(12,472)**	**—**	**(74,595)**
EBITDA	**(44,288)**	**15,598**	**2,650**	**(11,635)**	**—**	**(37,675)**
EBITDA margin %	**(68.3)%**	**12.4%**	**7.2%**			
Depreciation, amortisation and forex	**(5,094)**	**(4,903)**	**(513)**	**(9,143)**	**—**	**(19,653)**
Operating (loss)/profit	**(49,382)**	**10,695**	**2,137**	**(20,778)**	**—**	**(57,328)**
Net finance costs	**—**	**—**	**—**	**(57,495)**	**—**	**(57,495)**
(Loss)/profit before tax	**(49,382)**	**10,695**	**2,137**	**(78,273)**	**—**	**(114,823)**

5. Segmental reporting continued

2019	Balance Sheet business £000	AMS business Restated[1] £000	FIM business Restated[1] £000	Group functions Restated[1] £000	Intra-segment elimination Restated[1] £000	As re-presented Total 2019 £000
Total income	226,475	128,785	48,329	392	(64,463)	339,518
Collection activity and fund management costs[2]	(110,936)	(68,071)	(16,983)	—	64,463	(131,527)
Gross margin	115,539	60,714	31,346	392	—	207,991
Gross margin %	51.0%	47.1%	64.9%			
Other operating expenses excluding depreciation, amortisation and forex[2]	(10,654)	(37,638)	(12,711)	(21,717)	—	(82,720)
EBITDA	104,885	23,076	18,635	(21,325)	—	125,271
EBITDA margin %	46.3%	17.9%	38.6%			
Depreciation, amortisation and forex	(5,845)	(6,921)	(365)	(6,322)	—	(19,453)
Operating profit/(loss)	99,040	16,155	18,270	(27,647)	—	105,818
Net finance costs	—	—	—	(54,498)	—	(54,498)
Profit/(loss) before tax	99,040	16,155	18,270	(82,145)	—	51,320

1. In line with the requirements of IFRS 8:29, due to the change of the segmental reporting structure aligned to the Group now being managed through an integrated asset manager model, the corresponding information for 2019 has also been restated. The adjusting items for 2019 have been absorbed within the segments as part of the restatement.
2. The split of total operating expenses has changed from the Annual Report and Accounts 2019, with a reclass between 'collection activity and fund management costs' and 'other operating expenses', as part of the change in the segmental reporting structure aligned to the Group now being managed through an integrated asset management model. The total operating expenses impact is £nil. The main movements between the categorisation relate to allocation of internal staff costs and professional fees. The prior year has been re-presented accordingly on this basis.

Total income includes income from portfolio investments, fund and investment management and performance fees, asset management and servicing and other income.

2020 Geographical information	**UK and Ireland £000**	**Portugal £000**	**Italy £000**	**Netherlands £000**	**Intra-Group trading £000**	**Total £000**
Total income	**74,787**	**65,518**	**43,299**	**44,250**	**(60,362)**	**167,492**
Third-party AMS and FIM income	**42,795**	**34,868**	**42,336**	**37,389**	**(60,362)**	**97,026**
Non-current assets	**109,546**	**79,587**	**85,029**	**60,497**	**—**	**334,659**

2019 Geographical information	UK and Ireland £000	Portugal £000	Italy £000	Netherlands £000	Intra-Group trading £000	Total £000
Total income – as re-presented[1]	141,184	104,999	88,244	69,554	(64,463)	339,518
Third-party AMS and FIM income – as re-presented[1]	42,428	38,365	38,864	39,166	(64,463)	94,360
Non-current assets	114,110	74,535	82,226	59,509	—	330,380

1. See page F-60 for more detail.

Income from contracts with customers has been disaggregated on a geographical basis, as a similar set of services are provided to customers across the geographies, and therefore this was deemed to be the most appropriate level of disaggregation for this disclosure.

Non-current assets are assets with a useful life of more than one year with the exception of deferred tax which has been excluded. Gross AMS income includes commission income, debt collection, due diligence, real estate management, advisory fees and intra-Group income for these services.

5. Segmental reporting continued

Gross FIM income includes fund management and performance fees and intra-Group income for these services.

	2020 £000	2019 £000
Third-party AMS and FIM income	**97,026**	94,360
Intra-Group AMS and FIM income	**60,362**	64,463
Income reallocation from Balance Sheet business	**4,747**	18,291
Gross AMS and FIM income	**162,135**	177,114
Balance sheet business income	**69,629**	244,766
Income reallocation to FIM business	**(4,747)**	(18,291)
Gross Balance Sheet income	**64,882**	226,475
Other income	**837**	392
Gross income	**227,854**	403,981

Gross income includes commission income, debt collection, due diligence, real estate management, advisory fees and intra-Group income for Asset Management and Servicing, fund and investment management and performance fees and intra-Group income for Fund and Investment Management, total income for the Balance Sheet business, and other income.

6. Income from AMS and FIM

Asset management and servicing income

Income from AMS contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it satisfies a performance obligation related to a service it has undertaken to provide to a customer.

Servicing income makes up the majority of AMS income, and in itself comprises a broad range of services, including secured and unsecured collection activity, real estate asset realisation, legal title holding, due diligence activities, initial platform migration and on-boarding activities, securitisation vehicle set-up and ongoing management activities, new origination activities, litigation and court process management and third-party sub-servicer management.

In all material cases, the services are provided at a point in time that corresponds to the satisfaction of the related performance obligations. As such, revenue arising from servicing income is normally recognised as the services are provided to the customer, with no deferral or acceleration of revenue across the life of the contract.

Fund and investment management income

Fund and investment management income encompasses services provided in relation to the discretionary and semi-discretionary allocation and management of third-party capital. Fees for fund and investment management services are normally calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on a regular basis. Income from fund and investment management services is recognised over time as the services are provided.

Contract balances

At 31 December 2020, the Group had assets relating to contracts with customers in the amount of £8,765,000 (31 December 2019: £3,100,000). These assets fully relate to up-front costs which were incurred to acquire customers within the Group's Fund and Investment Management business, and will be released to the comprehensive statement of profit and loss across the same period as the associated income will be recognised, which is the lifetime of the related fund.

A key judgement made in recognising these costs which were incurred to acquire customers was whether or not the investors in the fund met the definition of a customer in accordance with IFRS 15. Given the small number of larger, institutional investors which were engaged with on an individual basis as part of the customer acquisition

6. Income from AMS and FIM continued

process, this was deemed to meet the definition of a customer under IFRS 15 guidance. The weighted average life remaining on these contract balances is 7 years and 9 months (31 December 2019: 8 years). The contract balances have amortised in the period, resulting in a £655,000 of amortisation expensed to the comprehensive statement of profit and loss during the year (2019: no impact).

7. Finance income

	2020 £000	2019 £000
Bank interest	**61**	61
Total finance income	**61**	61

8. Finance costs

	2020 £000	2019 £000
Interest and similar charges on bank loans	**8,324**	8,028
Interest and similar charges on senior secured notes	**38,648**	38,232
Interest and similar charges on asset-backed securitisation	**6,205**	2,509
Interest rate swap and forward exchange contract hedge costs	**370**	515
Lease liability interest	**1,107**	1,395
Other interest	**2,902**	3,880
Total finance costs	**57,556**	54,559

9. Auditor's remuneration

The analysis of auditor remuneration is as follows:	**2020 £000**	2019 £000
Fees payable for audit services – Company	**60**	55
Fees payable for audit services – Group	**1,451**	1,420
Fees payable in respect of prior periods for audit services – Group	**167**	—
Total fees payable for audit services	**1,678**	1,475
Fees payable for audit-related assurance services	**304**	100
Fees payable for regulatory assurance services	**69**	107
Total fees payable for audit-related and regulatory assurance services	**373**	207
Fees payable for other assurance services	**247**	20
Total fees payable for non-audit services	**620**	227
Total fees payable	**2,298**	1,702

10 Collection activity and fund management costs, other operating expenses and staff costs

10.a Total operating expenses

Total operating expenses are made up of direct and indirect costs, the detail of each is shown in the following tables:

Collection activity and fund management costs	Note	**2020 £000**	As re-presented 2019 £000
External collection costs		**28,345**	31,499[1]
Staff costs	10.b	**62,458**	62,761[1]
Direct temp labour		**4,981**	5,476[1]
Direct operating costs		**22,828**	15,057
Legal disbursements		**8,944**	14,416
Other collection activity costs		**3,016**	2,318[1]
Total collection activity and fund management costs		**130,572**	131,527

1. The split of total operating expenses has changed from in the Annual Report and Accounts 2019, with a reclass between the 'collection activity and fund management costs' and 'other operating expenses', as part of the change in the segmental reporting structure aligned to the Group now being managed through an integrated asset management model. The total operating expenses impact is £nil. The main movements between the categorisation relate to allocation of internal staff costs and professional fees. The prior year has been re-presented accordingly on this basis.

Other operating expenses	Note	**2020 £000**	As re-presented 2019 £000
Staff costs	10.b	**40,074**	36,170[1]
Other staff related costs		**6,389**	11,591[1]
Premises		**4,485**	5,401[1]
IT		**14,459**	13,830[1]
Depreciation and amortisation		**18,910**	18,435
Write off of PPE and intangible assets		**249**	6,377
Net foreign exchange losses/(gains)		**743**	1,018
Acquisition related expenses		**—**	1,457
Contingent consideration remeasurement		**(5,755)**	—
Deferred consideration renegotiations		**—**	(21,119)
Other operating expenses		**14,694**	29,013[1]
Total other operating expenses		**94,248**	102,173

1. The split of total operating expenses has changed from in the Annual Report and Accounts 2019, with a reclass between the 'collection activity and fund management costs' and 'other operating expenses', as part of the change in the segmental reporting structure aligned to the Group now being managed through an integrated asset management model. The total operating expenses impact is £nil. The main movements between the categorisation relate to allocation of internal staff costs and professional fees. The prior year has been re-presented accordingly on this basis.

The other staff-related costs caption largely relates to temporary labour, recruitment and training.

10. Collection activity and fund management costs, other operating expenses and staff costs continued

10.b Staff costs continued

	2020 £000	2019 £000
Wages, bonuses and salaries	**82,889**	77,698
Pension costs	**4,415**	2,833
Social security costs	**13,037**	12,576
Share-based payments	**1,753**	1,437
Staff restructuring	**438**	4,387
	102,532	98,931

The total executive and non-executive directors' remuneration during the year was £1,309,000 (2019: £1,432,000), including £87,000 in relation to pension costs (2019: £110,000). See the remuneration report for further disclosures relating to directors' remuneration.

The average monthly number of employees (including executive directors) are analysed below:

	2020	2019
Operations and asset servicing	**1,834**	1,707
Commercial asset management	**221**	217
Finance	**160**	197
Fund and investment management and origination	**132**	142
Legal and risk	**101**	105
HR and communications	**60**	58
Management and support	**14**	15
	2,522	2,441

11. Taxation

The Group's activities are predominantly UK based. The analysis below therefore uses the UK rate of corporation tax.

a. Amounts recognised in profit and loss	2020 £000	2019 £000
Current tax (credit)/expense		
Tax charge at standard UK corporation tax rate	**6,241**	14,152
Changes in estimate related to prior years	**(5,374)**	1
Total current tax expense	**867**	14,153
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	**(23,212)**	(1,332)
Adjustment in relation to prior years	**297**	2,421
Recognition of previously unrecognised tax losses	**842**	(1,209)
Total deferred tax credit	**(22,073)**	(120)
Total income tax (credit)/expense	**(21,206)**	14,033

11. Taxation continued

The differences in the effective tax rate for the period and the standard rate of corporation tax in the UK at 19% (2019: 19%) are as follows:

b. Reconciliation of effective tax rate	2020 £000	2019 £000
(Loss)/profit before tax	**(114,823)**	51,320
Tax (credit)/charge at standard UK corporation tax rate	**(21,816)**	9,751
Effect of tax rates in foreign jurisdictions	**1,950**	2,052
Expenses not deductible for tax purposes	**2,293**	(358)
Changes in corporate tax rates in the year	**842**	(1,209)
Movements in unrecognised deferred tax	**602**	1,376
Changes in estimate relating to prior years	**(5,077)**	2,421
Total income tax (credit)/expense	**(21,206)**	14,033

c. Amounts recognised in OCI	2020			2019		
	Before tax £000	Tax (expense)/ benefit £000	Net of tax £000	Before tax £000	Tax (expense)/ benefit £000	Net of tax £000
Items that are/may be reclassified to profit or loss						
Movement in hedging reserve:						
Effective portion of changes in fair value	**427**	**(71)**	**356**	187	(33)	154
Net amount reclassified to profit or loss	—	—	—	7	—	7
Total movement in hedging reserve	**427**	**(71)**	**356**	194	(33)	161

The rate of UK corporation tax, as enacted under previous Finance Acts, was expected to reduce to 17% from 1 April 2020. The UK Government enacted legislation for the rate to remain at 19% and deferred tax recognised in the UK has been restated accordingly, with a credit of £305,000 reflected during the year ended 31 December 2020.

In December 2019, a new corporate tax law was enacted in the Netherlands. Consequently, as of 1 January 2020, the corporate tax rate in the Netherlands will be reduced from 25% to 21.7%. This change resulted in a gain of €1,147,000 related to the remeasurement of deferred tax assets and liabilities of the Group's Dutch subsidiaries being recognised during the year ended 31 December 2019. In September 2020, the Dutch Government announced the reversal of this planned decrease, maintaining the rate at 25%. A credit of £1,147,000 has been reflected in the year ended 31 December 2020, which reverses the prior year restatement.

Deferred tax

The Group has recognised a deferred tax asset in relation to losses of £27,683,000 (2019: £6,353,000), of which £18,669,000 (2019: £nil) relate to the UK. The UK losses arose in the current period as a result of an impairment of portfolio balances due to COVID-19. The underlying profitability of the Group has remained, and such losses are expected to be utilised against future taxable profits.

The Group has not recognised a deferred tax asset in respect of £2,864,000 (2019: £2,634,000) of tax losses carried forward, due to uncertainties over the future utilisation of the losses, including the future profitability of the relevant subsidiaries. These losses may be available for offset against future profits and have no expiry date. There are no unrecognised deferred tax liabilities.

The rate of UK corporation tax is expected to increase to 25% from 1 April 2023. Deferred taxation is measured at the rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the statement of financial position date. As noted above, there is a significant UK deferred tax asset in relation to losses carried forward, the restatement of which is expected to generate a statement of profit and loss tax credit once the applicable legislation has been substantially enacted.

11. Taxation continued

Movement in deferred tax balances

2020	Net balance 1 January £000	Recognised in profit or loss £000	Recognised in OCI/equity £000	Opening reserves £000	Transferred in on acquisition £000	Foreign exchange £000	Net balance 31 December £000	Deferred tax assets £000	Deferred tax liabilities £000
Fixed assets	727	**177**	**—**	**—**	**—**	**—**	**904**	**904**	**—**
IFRS and fair value transitional adjustments	(15,634)	**1,191**	**—**	**—**	**(1,080)**	**(869)**	**(16,392)**	**1,664**	**(18,056)**
Share schemes	868	**(138)**	**193**	**—**	**—**	**—**	**923**	**923**	**—**
Hedging reserve	87	**—**	**(71)**	**—**	**—**	**—**	**16**	**16**	**—**
Other temporary differences	721	**(191)**	**—**	**—**	**(24)**	**85**	**591**	**591**	**—**
Losses	6,353	**21,034**	**—**	**—**	**—**	**297**	**27,684**	**27,684**	**—**
	(6,878)	**22,073**	**122**	**—**	**(1,104)**	**(487)**	**13,726**	**31,782**	**(18,056)**

2019	Net balance 1 January £000	Recognised in profit or loss £000	Recognised in OCI/equity £000	Opening reserves £000	Transferred in on acquisition £000	Foreign exchange £000	Net balance 31 December £000	Deferred tax assets £000	Deferred tax liabilities £000
Fixed assets	463	(9)	—	—	273	—	727	727	—
IFRS transitional adjustments	(1,416)	252	—	—	—	8	(1,156)	—	(1,156)
Share schemes	704	285	(121)	—	—	—	868	868	—
Hedging reserve	120	—	(33)	—	—	—	87	87	—
Other temporary differences	828	329	—	—	—	(436)	721	721	—
Losses	5,682	486	—	—	—	185	6,353	6,353	—
Fair value and IFRS 9 adjustments	(13,198)	(1,383)	—	—	(693)	636	(14,638)	1,843	(16,481)
IFRS 16 transitional adjustments	—	160	—	—	—	—	160	160	—
	(6,817)	120	(154)	—	(420)	393	(6,878)	10,759	(17,637)

Tax impact of the UK giving notice to withdraw from the EU

Given that the UK has now exited the EU (at 31 January 2020), the Group has considered the impact of Brexit from a tax perspective. The only impact foreseen is an increase in withholding tax (WHT) suffered on the payment of interest and/or dividends from Portugal and Italy. Any WHT suffered is expected to be fully creditable in the UK, with no cash tax impact from an overall group perspective (other than for timing purposes).

Uncertainty over income tax treatments

The current tax liability of £2,110,000 represents the amount of income taxes payable in respect of current and prior year periods, including a provision in relation to uncertain tax positions.

11. Taxation continued

As for most multi-nationals, the current tax environment is creating increasing levels of uncertainty and the Group is potentially subject to tax audits in many jurisdictions. By their nature, these are often complex and could take a significant period of time to be agreed with the tax authorities. The Group estimates and accrues taxes that will ultimately be payable when reviews or audits by tax authorities of tax returns are completed. The levels of risk arising from tax audits may change as a result of legislative change, tax authority guidance or practice and correspondence with the tax authorities during a specific audit. It is not possible to quantify the impact that such future developments may have on the tax positions taken in the financial statements.

12. Earnings per share (EPS)

	2020 £000	2019 £000
Profit after tax attributable to shareholders	**(92,829)**	35,223
Weighted average ordinary shares	**177,150**	175,859
Potential exercise of share options	**7,698**	4,942
Weighted average ordinary shares (diluted)	**184,848**	180,801
Basic earnings per share (£)	**(0.52)**	0.20
Diluted earnings per share (£)	**(0.52)**	0.19

13. Goodwill

	£000
Cost	
At 1 January 2019	264,988
Additions[1]	14,519
Adjustment of the discounted value of deferred consideration paid for EI	462
Modification to Drydens' opening balance sheet fair value post-acquisition	693
Exchange rate differences	(10,653)
At 31 December 2019	270,009
Exchange rate differences	10,638
At 31 December 2020	**280,647**
Amortisation and impairment	
At 31 December 2019 and 31 December 2020	2,309
Net book value	
At 31 December 2020	**278,338**
At 31 December 2019	267,700

The following table provides a breakdown of goodwill acquired during the current and prior year:

	£000
Goodwill on acquisition	
At 1 January 2019	264,988
Drydens Limited (Drydens)[1]	14,519
Exchange rate differences	(9,498)
At 31 December 2019	270,009
Exchange rate differences and	10,638
Impairment	(2,309)
At 31 December 2020	**278,338**

1. See note 30 for a detailed analysis of additions to goodwill during 2019.

13. Goodwill continued

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated to four aggregated CGUs on the basis that these represent the lowest level at which goodwill is monitored for internal management purposes and are not larger than the single operating segment defined under IFRS 8 (Operating Segments).

Goodwill CGU allocation

In relation to goodwill, the four CGUs identified are UK and Ireland, comprising all Group companies acquired in the Capquest acquisition, Arrow Global Receivables Management Limited, Mars Capital, Bergen and Drydens; Portugal, comprising all of the Group companies acquired in the Whitestar, Gesphone, Redrock and Norfin acquisitions; Benelux, comprising all the Group companies acquired in the Vesting acquisition; and Italy, comprising Zenith, Parr Credit and Europa Investimenti S.p.A. The UK and Ireland, Portugal, Benelux, and Italy CGUs, represent the cash flows generated principally from collections on acquired portfolio investments and management and servicing of third-party debt.

Given the structure and operating model of the Group, it has been deemed appropriate to combine a number of CGUs for impairment testing purposes. This is in line with the Group's stated strategy of providing a range of services in each geographic region in which the Group operates and represents the lowest level at which the Group's resources and assets are allocated internally.

The discount rate was a post-tax rate based on the yield of average European 10-year government bonds, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk of the specific CGU.

Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the lower of the nominal gross domestic product rates for the countries in which the CGU operates and the long-term compound annual profit before taxes, depreciation and amortisation growth rate estimated by management.

Budgeted profit before taxes, depreciation and amortisation were based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated growth for the next five years.

The key assumptions described above may change as economic and market conditions change. The Group estimates that likely possible changes in these assumptions would not cause the recoverable amount of any CGU to decline below the carrying amount.

The Group's goodwill balance has been assessed and no part of the overall balance is deemed to be deductible for tax purposes.

For the purposes of impairment testing, goodwill is allocated to the Group's CGUs as follows:

	2020 £000	2019 £000
UK and Ireland	**78,900**	79,476
Portugal	**73,662**	69,156
Benelux	**43,124**	40,824
Italy	**82,652**	78,244
	278,338	267,700

13. Goodwill continued

An impairment review was carried out at 31 December 2020 that resulted in no impairment to goodwill. The goodwill was assessed to be appropriately stated. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of the CGUs is determined as the higher of fair value, less cost to sell and value in use. Discount rate and forward-looking growth assumptions applied in the value in use calculations were as follows:

	2020				2019			
	UK and Ireland	Portugal	Benelux	Italy	UK and Ireland	Portugal	Benelux	Italy
Discount rate %	**8.9%**	**9.3%**	**8.4%**	**9.4%**	8.6%	9.0%	8.2%	9.0%
Growth rate used to extrapolate forecasts	**2.0%**	**2.2%**	**2.0%**	**1.7%**	2.0%	2.2%	2.0%	1.7%

Discount rates

Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Post-tax rates are used alongside post-tax cash flows, as the post-tax discount rate is more readily derived from observable market information. Any potential differences between post-tax discount rates and cash flows and the pre-tax method under IAS 36 – Impairment of assets have been considered, and no material differences between approaches have been identified.

The starting point for determining the discount rates for each CGU was to use the Group's weighted average cost of capital (WACC) and adjust this for specific factors for each of the CGUs to derive a market participant's rate. The factors took into account the risks inherent in each of the CGUs; such as currency, regulatory, and economic risks and the different operations in the CGUs were also considered.

In determining the appropriate WACC to use in the current impairment test, in line with advice from experts, management took into account both the current and target leverage structure of the Group, as well as pre-COVID-19 and post-COVID-19 market conditions. An average of these approaches provided a balanced view of the appropriate discount rate to use for the value in use calculation in the midst of the uncertainty created by COVID-19.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows into perpetuity. The forecasts assume growth rates in collection activity which in turn drive forecast collections and cost figures. These assumptions are in keeping with the directors' expectations of future growth. Appropriate tax rates are applied to the cash flow forecasts for each CGU. The analysis has been prepared using post-tax cash flows and discount rates, as post-tax discount rates can be more readily derived from observable market data. The Group is satisfied that this is materially equal to performing the analysis on pre-tax cash flows and discount rates.

The result of the goodwill impairment review was that no impairment was deemed to exist as at 31 December 2020. The Group has conducted a sensitivity analysis over the key inputs used in the impairment test of the CGU's carrying value. The CGUs would become impaired based on a net post-tax cash flow reduction set out below, or based on an increase in the discount rate noted below:

	A cash flow reduction of	A discount rate increase of
UK and Ireland	**39%**	**4%**
Portugal	**23%**	**3%**
Benelux	**21%**	**2%**
Italy	**48%**	**7%**

14. Intangible assets

	Customer intangibles £000	Contractual rights £000	IT platform[1] £000	Software licences £000	Total £000
Cost					
At 1 January 2019	27,686	1,485	38,226	11,205	78,602
Assets acquired on acquisition of a subsidiary	688	—	—	—	688
Exchange differences	(1,372)	(79)	(705)	(269)	(2,425)
Additions	117	6	8,706	3,001	11,830
Disposals	—	—	—	(273)	(273)
At 31 December 2019	27,119	1,412	46,227	13,664	88,422
Exchange differences	1,373	80	1,445	308	3,206
Additions	—	4	2,964	8,407	11,375
Reclassifications	—	—	181	(175)	6
Disposals	—	—	—	(676)	(676)
At 31 December 2020	**28,492**	**1,496**	**50,817**	**21,528**	**102,333**
Accumulated amortisation					
At 1 January 2019	13,269	698	11,619	8,752	34,338
Exchange differences	(768)	(47)	(153)	(239)	(1,207)
Amortisation charge for the year[2]	4,694	244	4,879	1,821	11,638
Reclassifications	—	—	—	—	—
Write-off	—	—	5,769	(6)	5,763
Disposals	—	—	—	(269)	(269)
At 31 December 2019	17,195	895	22,114	10,059	50,263
Exchange differences	903	54	709	262	1,928
Amortisation charge for the year[2]	4,063	211	4,538	2,811	11,623
Reclassifications	—	—	181	56	237
Disposals	—	—	—	(427)	(427)
At 31 December 2020	**22,161**	**1,160**	**27,542**	**12,761**	**63,624**
Carrying amount					
At 31 December 2020	**6,331**	**336**	**23,275**	**8,767**	**38,709**
At 31 December 2019	9,924	517	24,113	3,605	38,159

1. An intangible asset relating to a software upgrade is included within IT platform. The asset has a carrying value of €5,550,000 (31 December 2019: €6,000,000) and a remaining amortisation period of 9 years and 3 months.
2. Amortisation is shown within the other operating costs line of the consolidated statement of profit or loss.

15. Property, plant and equipment

	Leasehold improvements £000	Computer equipment £000	Furniture £000	Vehicles £000	Right-of-use asset[1] £000	Total property, plant and equipment £000
Cost						
At 1 January 2019	7,249	5,107	1,940	204	—	14,500
Assets acquired on acquisition of a subsidiary	118	244	14	—	578	954
Adoption of IFRS 16 as at 1 January 2019	—	—	—	—	26,386	26,386
Exchange differences	(227)	2	12	17	—	(196)
Additions	385	338	42	120	384	1,269
Disposals	—	(292)	(9)	(42)	(674)	(1,017)
At 31 December 2019	7,525	5,399	1,999	299	26,674	41,896

15. Property, plant and equipment continued

	Leasehold improvements £000	Computer equipment £000	Furniture £000	Vehicles £000	Right-of-use asset[1] £000	Total property, plant and equipment £000
Exchange differences	220	146	57	30	646	1,099
Additions	7	531	7	5	1,899	2,449
Reclassifications	(58)	(157)	(97)	(76)	(372)	(760)
Disposals	(601)	(171)	(42)	(53)	(4,760)	(5,627)
At 31 December 2020	**7,093**	**5,748**	**1,924**	**205**	**24,087**	**39,057**
Accumulated depreciation						
At 1 January 2019	2,978	2,836	917	8	—	6,739
Adoption of IFRS 16 as at 1 January 2019	—	—	—	—	3,199	3,199
Exchange differences	(79)	210	28	78	(15)	222
Charge for the year	920	811	290	66	4,710	6,797
Write-off leasehold improvements	509	—	104	—	—	613
Disposals	—	(168)	(6)	(21)	—	(195)
At 31 December 2019	4,328	3,689	1,333	131	7,894	17,375
Exchange differences	111	94	32	21	210	468
Charge for the year	1,357	905	222	55	4,748	7,287
Reclassifications	(58)	(162)	(68)	(37)	(364)	(689)
Disposals	(140)	(163)	(42)	(53)	(2,598)	(2,996)
At 31 December 2020	**5,598**	**4,363**	**1,477**	**117**	**9,890**	**21,445**
Carrying amount						
At 31 December 2020	**1,495**	**1,385**	**447**	**88**	**14,197**	**17,612**
At 31 December 2019	3,197	1,710	666	168	18,780	24,521

1. See note 21 for a detailed analysis of right-of-use assets.

16. Trade and other receivables

	Group		Company	
Current	2020 £000	As re-presented 2019 £000	2020 £000	2019 £000
Trade receivables	**39,899**	31,748	**—**	—
Contract balances	**8,765**	3,100	**—**	—
Other receivables	**17,687**	7,739	**277**	182
Due from subsidiary undertakings	**—**	—	**224,647**	212,535
Prepayments	**5,021**	5,896	**—**	—
	71,372	48,483	**224,924**	212,717

In 2019, other receivables included £3.4 million of receivables related to contracts with customers. No receivables related to contracts with customers are receivable as at 31 December 2020.

Bank balances subject to certain restrictions have been reclassified as cash and cash equivalents in the year, leading to a re-presentation of the 2019 reconciliation.

17. Trade and other payables

	Group		Company	
Current	2020 £000	2019 £000	2020 £000	2019 £000
Trade payables	**9,889**	15,635	**777**	489
Deferred consideration on acquisition of subsidiaries	**18,497**	11,332	**—**	—
Deferred consideration on portfolio investments	**10,538**	62,944	**—**	—
Taxation and social security	**2,001**	356	**—**	—
Due to subsidiary undertaking	**—**	—	**3,280**	1,518
Accruals	**33,300**	35,006	**—**	—
Liabilities arising on acquisition of bankruptcy portfolios	**12,959**	—	**—**	—
Other liabilities	**5,123**	19,495	**—**	—
Lease liability	**3,560**	5,312	**—**	—
	95,867	150,080	**4,057**	2,007
Non-current				
Trade payables	**8,137**	15,278	**—**	—
Deferred consideration on acquisition of subsidiaries	**1,633**	19,040	**—**	—
Deferred consideration on portfolio investments	**1,500**	—	**—**	—
Taxation and social security	**(124)**	—	**—**	—
Accruals	**887**	—	**—**	—
Liabilities arising on acquisition of bankruptcy portfolios	**23,367**	16,629	**—**	—
Other liabilities	**21,057**	3,782	**—**	—
Lease liability	**14,641**	18,192	**—**	—
	71,098	72,921	**—**	—
Total trade and other payables	**166,965**	223,001	**4,057**	2,007

Deferred consideration on acquisition of subsidiaries has reduced as amounts were repaid in the period, alongside remeasurements of deferred contingent consideration liabilities in the period which reduced their value. Deferred consideration on portfolio investments have decreased in the period as significantly less portfolio acquisitions had an element of deferred consideration outstanding at 31 December 2020 than 31 December 2019.

Included within other liabilities is €3,361,000 (£3,043,000) (2019: €2,463,000 (£2,095,000)) relating to deferred pay for the Italian employees. The employees are part of statutory indemnity schemes, compulsory by law, that entitles them to deferred pay, typically at the end of their employment, the 'Trattamento di fine rapport' (TFR). A liability is recognised to reflect that the indemnity will be paid at a future date, when the employees leave employment. The liability is included within trade and other payables on the statement of financial position and is calculated by an independent expert through an actuarial valuation, the key assumptions used are detailed below:

	2020	2019
Discount rate	**0% to 0.4%**	0.67% to 1.5%
Annual inflation rate	**1.0%**	1.0% to 1.5%
Wage inflation	**2.0% to 3.0%**	2.0% to 3.0%
Probability of leaving employment for reasons other than retirement (employees aged 18-60)	**0% to 12.0% per annum**	2.3% to 10.0% per annum

18. Contingent liabilities

Through the ordinary course of business, the Group exposes itself to potential liabilities which at present it is not aware of, and may or may not arise in the future. As such, it would not be practical to try and quantify their future financial impact. However, set out below are broad areas of the Group's ordinary business activities which may in the future lead to potential claims or liabilities being incurred by the Group.

18. Contingent liabilities continued

Conduct and regulatory compliance

Given the high level of scrutiny regarding financial institutions' treatment of customers and business conduct from regulatory bodies, the media and politicians, there is a possibility that certain aspects of the current or historic business, including, amongst other things, collections practices and general treatment of customers, may be determined by the FCA and other regulatory bodies or the courts as, in their opinion, not being conducted in accordance with applicable laws or regulations, or fair and reasonable treatment.

Contractual disputes

In carrying out its ongoing business, the Group enters into numerous contracts in any given year with a various third-party entities. There is always a risk that a contractual dispute may arise in the future, which may lead to a claim against the Group in respect of any damages or losses incurred by the third party.

19. Share capital and reserves

Share capital and share premium

Issued, fully paid and authorised	2020 £000	2019 £000
177,378,244 (2019: 176,858,244) ordinary shares of 1p each	**1,774**	1,769
Offset by own shares	**(5)**	(6)
	1,769	1,763

Total consideration for the shares was £349,180,000 (2019: £349,180,000), giving rise to a share premium of £347,436,000 (2019: £347,436,000). £41,680,000 was raised as part of the IPO, net of £8,420,000 of IPO costs, which were netted against the share premium account in accordance with the Companies Act 2006, section 610. The Company's ordinary shares carry an equal right to receive dividends and repayments of capital paid by the Company. There are no restrictions on the repayment of capital.

The shareholders have the right to receive notice of, and to attend and vote at all general meetings of the Company.

Own shares

Own shares consist of treasury shares and shares held within an employee benefit trust. The Company has an employee benefit trust for the granting of shares to applicable employees.

Own shares are recognised at cost as a deduction from equity shareholders' funds. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sale proceeds and the original cost being taken to retained earnings. No gain or loss is recognised in the financial statements on transactions in treasury shares.

Issued, fully paid and authorised	2020 £000	2019 £000
628,874 (2019: 1,030,766) opening own shares of 1p each	**6**	10
Changes in the period	**(1)**	(4)
502,656 (2019: 628,874) closing shares of 1p each	**5**	6

Nature and purpose of reserves

Hedging reserve

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

19. Share capital and reserves continued

Own share reserve

The own share reserve comprises the cost of the Company's ordinary shares held by the Group. At 31 December 2020, the Company held 502,656 ordinary shares of 1p each (2019: 628,874 ordinary shares of 1p each) held in an employee benefit trust. This represents 0.3% of the Company's share capital as at 31 December 2020.

Translation reserve

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

Merger reserve

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

20. Dividends

The following dividends were recognised as distributions to owners during the year ended 31 December 2020:

	2020 £000	2019 £000
Interim dividend 2020: nil (2019: 4.4p per ordinary share)	—	7,751
Final dividend 2019: nil (2018: 8.7p per ordinary share)	—	15,311
	—	23,062

In line with the Group's near-term focus in Q1 2020, being the preservation of cash and liquidity, on the 6 April 2020, the Group announced its intention to withdraw its recommended final dividend for 2019, preserving approximately £15.0 million of cash within the business.

The board has also not paid an interim dividend for H1 2020, however it expects to resume dividend payments at year-end 2021.

21. Leases

The Group has leases for offices and production vehicles. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 15).

Leases of vehicles are usually limited to a lease term of two to four years. Leases of property generally have a lease term ranging from five years to ten years. Lease payments are generally fixed, however there are a limited number of property leases where rentals are linked to annual changes in an index (either the retail price index or consumer price index).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

21. Leases continued

Right-of-use assets

Right-of-use assets relate to leased office premises and vehicles that are presented within property, plant and equipment (see note 15).

	Office premises £000	Vehicles £000	Computer equipment
Adoption of IFRS 16 as at 1 January 2019	23,401	2,985	—
Adoption of IFRS 16 as at 1 January 2019 depreciation	(1,409)	(1,790)	—
Depreciation charge for the year	(4,060)	(650)	—
Additions	962	—	—
Disposals	(674)	—	—
Exchange differences	13	2	—
Balance at 31 December 2019	18,233	547	—
Depreciation charge for the year	**(4,236)**	**(481)**	**(31)**
Additions	**371**	**1,275**	**253**
Disposals	**(2,131)**	**(31)**	**—**
Reclassifications	**(10)**	**2**	**—**
Exchange differences	**420**	**14**	**2**
Balance at 31 December 2020	**12,647**	**1,326**	**224**

Maturity analysis – contractual undiscounted cash flows

See note 25 for maturity analysis of lease liabilities as at 31 December 2020 and 31 December 2019.

Amounts recognised in profit or loss

The following leases-related expenses were recognised under IFRS 16 in the profit or loss:

	2020 £000	2019 £000
Interest on lease liabilities	**1,107**	1,395
Depreciation charge for the year on right-of-use assets	**4,748**	4,710
Expenses relating to short-term leases	**560**	76

Amounts recognised in statement of cash flows

The following lease payments were recognised in the statement of cash flows:

	2020 £000	2019 £000
Total cash outflow for leases	**5,636**	5,061

22. Related party transactions

Group

Related party balances as at each year end were as follows:

	Key management personnel £000	Total £000
As at 31 December 2020 and 2019:		
Trade	—	—
	—	—

Remuneration for directors has been disclosed in note 10 along with the statement of profit or loss and other comprehensive income charges in the year and in the remuneration report.

22. Related party transactions continued

Summary of transactions

Key management, defined as permanent members of the board plus all non-executive directors, were awarded the following compensation for the financial year:

Remuneration	2020 £000	2019 £000
Salaries and performance-related bonus	**1,222**	1,628
Pension-related benefits	**87**	110
Share-based payments	—	(306)
	1,309	1,432

The number of key management during the year was 7 (2019: 6).

Company

Related party balances as at each year end were as follows:

	Arrow Global Group Holdings Limited £000	Arrow Global Limited £000	Arrow Global One Limited £000	Vesting Finance Detachering B.V. £000	Total £000
As at 31 December 2020					
Due from subsidiary undertakings	—	—	**224,607**	**40**	**224,647**
Due to subsidiary undertakings	**(1,367)**	**(1,913)**	—	—	**(3,280)**
	(1,367)	**(1,913)**	**224,607**	**40**	**221,367**

	Arrow Global Group Holdings Limited £000	Arrow Global Limited £000	Arrow Global One Limited £000	Vesting Finance Detachering B.V. £000	Total £000
As at 31 December 2019					
Due from subsidiary undertakings	—	—	212,495	40	212,535
Due to subsidiary undertakings	(1,367)	(151)	—	—	(1,518)
	(1,367)	(151)	212,495	40	211,017

The material receivable balance due from subsidiary undertakings from Arrow Global One Limited relates primarily to final dividends declared by Arrow Global One Limited in 2018. In the current period, the movement in this balance relate primarily to interest being charged on the loan. Balances relate to intercompany loans that are repayable on demand, with this being the longest contractual period and are, therefore, held as current liabilities or assets.

As a loan repayable on demand, expected credit losses were estimated on the assumption that repayment of the loan is demanded at the reporting date. It was assessed that loan was not in default as (i) the repayment had not been demanded, and (ii) the subsidiary was considered to be performing.

The maximum period over which expected impairment losses were measured was the period needed to transfer the cash once demanded.

As at 31 December 2020, Arrow Global One Limited could repay the outstanding balance of the receivable in full within three months, with the majority of the payment being received immediately. Accordingly there is no material expected credit loss.

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

23. Investments in subsidiaries and associate

Details of the Company's subsidiaries at 31 December 2020 are as follows:

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Agenda Management Services Limited* Company no. 04637581	UK – England and Wales	Note 1	100	Trading	DFS
AGG Capital Management (Holdco) Limited (ACM(H)L)* Company no. 12272877	UK – England and Wales	Note 2	100	Trading	AGGP
AGL Fleetwood Limited* Company no. 11889566	UK – England and Wales	Note 2	100	Trading	AFTL
AGL Fleetwood 2 Limited* Company no. 12660006	UK – England and Wales	Note 2	100	Trading	AF2TL
AGL Fleetwood 2 Topco Limited (AF2TL)* Company no. 12655329	UK – England and Wales	Note 2	100	Trading	AGIHL
AGL Fleetwood 3 Limited (AF3L)* Company no. 12660015	UK – England and Wales	Note 2	100	Trading	AF2TL
AGL Fleetwood Topco Limited (AFTL)* Company no. 11886176	UK – England and Wales	Note 2	100	Trading	AGIHL
Arrow Global (Holdings) Limited (AG(H)L)* Company no. 05606576	UK – England and Wales	Note 2	100	Trading	AGIHL
Arrow Global Accounts Management Limited* Company no. 05478076	UK – England and Wales	Note 2	100	Trading	AGL
Arrow Global Adviser Limited	UK – England and Wales	Note 2	100	Trading	AGIHL
Arrow Global Europe Limited* Company no. 09296946	UK – England and Wales	Note 2	100	Trading	AGIHL
Arrow Global Finance Plc* Company no. 08361735	UK – England and Wales	Note 2	100	Trading	AGIHL
Arrow Global Guernsey Limited* Company no. 08768171	UK – England and Wales	Note 2	100	Dormant	AG(H)L
Arrow Global Investments Holdings Limited (AGIHL)* Company no. 06568603	UK – England and Wales	Note 2	100	Trading	AGGHL
Arrow Global Legh Limited* Company no. 08612068	UK – England and Wales	Note 2	100	Dormant	AG(H)L
Arrow Global Limited (AGL)* Company no. 05606545	UK – England and Wales	Note 2	100	Trading	AG(H)L
Arrow Global Luna Limited* Company no. 08898157	UK – England and Wales	Note 2	100	Trading	AG(H)L
Arrow Global Management Limited* Company no. 07373491	UK – England and Wales	Note 2	100	Dormant	AG(H)L
Arrow Global Massey Limited* Company no. 08612076	UK – England and Wales	Note 2	100	Dormant	AG(H)L
Arrow Global One Limited (AGOL)* Company no. 08649653	UK – England and Wales	Note 2	100	Trading	AGGP
Arrow Global Portugal Investments Limited* Company no. 09312429	UK – England and Wales	Note 2	100	Trading	AF3L
Arrow Global Portugal Limited* Company no. 07243769	UK – England and Wales	Note 2	100	Trading	AF3L
Arrow Global Receivables Management Limited* Company no. 05875306	UK – England and Wales	Note 2	100	Trading	AG(H)L

Notes to the Financial Statements
Continued

23. Investments in subsidiaries and associate continued

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Arrow SMA LP Limited (ASLL)	UK – England and Wales	Note 2	100	Trading	AGIHL
Bergen Capital Management Limited* Company no. 07553297	UK – England and Wales	Note 2	100	Trading	MAL
Capquest Asset Management Limited* Company no. 05245829	UK – England and Wales	Note 2	100	Dormant	AGOL
Capquest Debt Recovery Limited (CDRL)* Company no. 03772278	UK – England and Wales	Note 2	100	Trading	CGL
Capquest Debt Recovery Services Limited* Company no. 05297863	UK – England and Wales	Note 2	100	Dormant	AGOL
Capquest Group Limited (CGL)* Company no. 04936030	UK – England and Wales	Note 2	100	Trading	QNL
Capquest Investments 2 Limited* Company no. 05968063	UK – England and Wales	Note 2	100	Dormant	AGOL
Capquest Investments Limited* Company no. 05245825	UK – England and Wales	Note 2	100	Trading	CGL
Capquest Limited* Company no. 05296562	UK – England and Wales	Note 2	100	Dormant	AGOL
Capquest Mortgage Servicing Limited* Company no. 05821008	UK – England and Wales	Note 2	100	Trading	AGOL
Capquest UK Limited* Company no. 05297876	UK – England and Wales	Note 2	100	Dormant	AGOL
Care Debt Management Limited* Company no. 05855800	UK – England and Wales	Note 2	100	Dormant	AGOL
Data Verification Services Limited* Company no. 05484229	UK – England and Wales	Note 2	100	Dormant	AGOL
Drydens Limited (DFS)*	UK – England and Wales	Note 1	100	Trading	AGL
Erudio Customer Management Limited*	UK – England and Wales	Note 2	100	Dormant	AG(H)L
Mars Acquisition Limited (MAL)*	UK – England and Wales	Note 2	100	Trading	AGIHL
Mars Capital Finance Limited*	UK – England and Wales	Note 2	100	Trading	MAL
Mars Capital Management Limited*	UK – England and Wales	Note 2	100	Trading	MAL
Quest Bidco Limited (QBL)*	UK – England and Wales	Note 2	100	Trading	QTL
Quest Newco Limited (QNL)*	UK – England and Wales	Note 2	100	Trading	QBL
Quest Topco Limited (QTL)*	UK – England and Wales	Note 2	100	Trading	AGIHL
Western Acquisition Holdings Limited	UK – England and Wales	Note 2	50	Dormant	AGL
Mars Capital Management Ireland DAC	Republic of Ireland	Note 3	100	Trading	MAL
Mars Capital Finance Ireland DAC	Republic of Ireland	Note 3	100	Trading	MAL
Arrow Global Guernsey Limited	Guernsey	Note 4	100	Dormant	AGIHL
Arrow Global Guernsey Holdings Limited (AGGHL)	Guernsey	Note 4	100	Trading	AGOL
AGG Capital Management Limited (ACML)	Jersey	Note 5	100	Trading	ACM(H)L

23. Investments in subsidiaries and associate continued

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Arrow SMA GP Limited (ASGL)	Jersey	Note 5	100	Trading	ASLL
Arrow Global SMA I LP	Jersey	Note 5	100	Trading	ASLL/ASGL
Arrow Global Investments Holdings Italia S.R.L. (AGIHIS)	Italy	Note 6	100	Trading	AGIHL
Zenith Service S.p.A. (ZSS)	Italy	Note 6	100	Trading	AGIHIS
Zen Finance Management S.R.L.	Italy	Note 6	50	Trading	ZSS
Arrow Global Italia S.R.L. (AGIS)	Italy	Note 6	100	Trading	AGIHL
VAR Reoco S.R.L.	Italy	Note 6	100	Trading	AGIS
Europa Investimenti Spa (EIS)	Italy	Note 7	71.80	Trading	AGIS
Europa Investimenti Trading S.R.L. (EITS)	Italy	Note 7	100	Trading	EIS
Fieramosca Dieci S.R.L.	Italy	Note 7	100	Trading	EIS
Sagitta SGR Spa	Italy	Note 7	97.26	Trading	EIS
Europa Investimenti Aziende S.R.L. (EIAS)	Italy	Note 7	100	Trading	EIS
Europa Investimenti Gestione Attivi S.R.L.	Italy	Note 7	100	Trading	EIS
Lanzone Due S.R.L.	Italy	Note 7	100	Trading	EIS
Lanzone Cinque S.R.L.	Italy	Note 7	100	Trading	EIS
Europa Investimenti Corporate Finance S.R.L.	Italy	Note 7	100	Trading	EIS
Lanzone Diciannove S.R.L. (LDS)	Italy	Note 7	100	Trading	EIS
Lanzone Dodici S.R.L.	Italy	Note 7	100	Trading	EIS
Lanzone Ventidue S.R.L.	Italy	Note 7	100	Trading	EIS
Lanzone Quindici S.R.L.	Italy	Note 7	100	Trading	EIS
Lanzone Ventuno S.R.L.	Italy	Note 8	70	Trading	LDS
LeaseCo First Srl	Italy	Note 6	100	Trading	ZSS
Whitestar S.R.L (WS)	Italy	Note 9	100	Trading	AGIS
New Call S.R.L.	Italy	Note 9	100	Trading	WS
Giardini di Sacro Monte Eco-Immobiliare S.r.l.	Italy	Note 6	100	Trading	AGIS
Etna SPV S.R.L	Italy	Note 6	100	Trading	AGIS
Etna Reoco S.R.L.	Italy	Note 6	0	Trading	N/A
Forest SPV S.R.L	Italy	Note 6	100	Trading	AGIS
Haywave SPV S.R.L	Italy	Note 6	0	Trading	N/A
Leonardo Investment Opportunities	Italy	Note 11	0	Trading	N/A
SPV Project 156 S.R.L	Italy	Note 12	100	Trading	AGIS
SPV Project 158 S.R.L	Italy	Note 11	0	Trading	N/A
SPV Project 1608	Italy	Note 11	0	Trading	N/A
SPV Project 1713 S.R.L	Italy	Note 11	100	Trading	AGIS
Vulcan SPV S.R.L	Italy	Note 11	100	Trading	AGIS
Zeus Finance S.R.L	Italy	Note 10	0	Trading	N/A
PARR SH. P.K.	Albania	Note 13	20	Trading	WS
Strzala Sp. z o.o.	Poland	Note 14	100	Dormant	AG(H)L/AGL
Capquest Debt Recovery S.A (pty) Limited	South Africa	Note 15	100	Dormant	CDRL
AGHL Portugal Investments Holdings, S.A. (AGHLPIH)	Portugal	Note 16	100	Trading	AGIHL

23. Investments in subsidiaries and associate continued

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Benefitpossibility – Unipessoal LDA	Portugal	Note 16	100	Trading	AGHLPIH
Every Possibilities – Unipessoal LDA (EPUL)	Portugal	Note 16	100	Trading	AGHLPIH
Esfera Civilizada SA	Portugal	Note 16	100	Trading	EPUL
Little Turbilhão SA	Portugal	Note 16	100	Trading	AF3L
Hefesto STC, S.A.	Portugal	Note 16	100	Trading	AGHLPIH
Norfin Investimentos, S.A.(NISA)	Portugal	Note 18	100	Trading	AGHLPIH
Norfin – Sociedade Gestora de Organismos de Investimento Coletivo, S.A	Portugal	Note 18	100	Trading	NISA
Norfin – Serviços, S.A	Portugal	Note 18	100	Trading	NISA
Redrock Capital Partners, S.A.	Portugal	Note 16	100	Trading	AGHLPIH
Sandalgreen, Assets, S.A.	Portugal	Note 16	100	Trading	AF3L
Sucesso Delicado, S.A.	Portugal	Note 16	100	Trading	AGHLPIH
Transitorysphere – Unipessoal LDA	Portugal	Note 16	100	Trading	AGHLPIH
Whitestar Asset Solutions, S.A.	Portugal	Note 16	100	Trading	AGHLPIH
Amstelveste Vastgoed B.V.	the Netherlands	Note 19	100	Trading	AGIHB/VFS
Arrow Global Investments Holdings Benelux B.V. (AGIHB)	the Netherlands	Note 19	100	Trading	AGIHL
Focum Groep B.V. (FG)	the Netherlands	Note 19	100	Trading	AGIHB
Focum Solutions B.V.	the Netherlands	Note 19	100	Trading	FG
Fiditon Holding B.V. (FH)	the Netherlands	Note 19	100	Trading	AGIHB
Focum Commerce B.V.	the Netherlands	Note 19	100	Trading	FG
Focum Finance B.V.	the Netherlands	Note 19	100	Trading	FG
Incassobureau Fiditon B.V.	the Netherlands	Note 19	100	Trading	FH
KU88 B.V.	the Netherlands	Note 19	100	Trading	AGLH
Universum Inkasso B.V. (UI)	the Netherlands	Note 19	100	Non-Trading	AGIHB
Vesting Finance Detachering B.V.	the Netherlands	Note 19	100	Trading	VFH
Vesting Finance Holding B.V. (VFH)	the Netherlands	Note 19	100	Trading	AGIHB
Vesting Finance Incasso B.V.	the Netherlands	Note 19	100	Trading	VFH
Vesting Finance Servicing B.V. (VFS)	the Netherlands	Note 19	100	Trading	AGIHB
Arrow Global Benelux (Holdings) B.V. (AGBH)	the Netherlands	Note 19	100	Trading	AGIHB
Spark Hypotheken B.V.	the Netherlands	Note 19	100	Trading	AGLH
Bow Advisers S.á r.l	Luxembourg	Note 20	100	Trading	ACML
Bow (Co-invest) Advisers S.á r.l	Luxembourg	Note 20	100	Trading	ACML
Bow (SMA)Advisers S.á r.l	Luxembourg	Note 20	100	Trading	ACML
Focum Belgium (BVBA)	Belgium	Note 21	100	Trading	AGIHB/FG

* Subsidiaries which have chosen to take the subsidiary companies audit exemption permitted by section 479c of the Companies Act 2006, with Arrow Global Group plc providing a declaration of guarantee.

All subsidiaries are included in the Group consolidation, including where the Group does not own 100% of the ordinary shares of the Company. This may arise where the Group exercises control over the relevant activity of the entity and can use this control to impact the variability of returns from the entity. The Group, at times, must exercise judgement as to whether the combination of control and exposure to variability of returns arising from an entity means it is acting primarily as an agent, or as a principal for its own interests and should therefore consolidate the entity into the results of the Group. There have been no instances in the period where significant judgement was applied to reach a conclusion over whether or not an entity should be consolidated or not. The Group did not consolidate any entity which individually had material non-controlling interest balances, and, as such, no further disclosure on non-controlling interests have been provided in this note.

23. Investments in subsidiaries and associate continued

Financial support given to structured entities

During the year, the Group issued no guarantees (2019: nil) to holders of notes issued by structured entities that the Group consolidates.

Notes	Registered addresses
Note 1	4th Floor, Fairfax House, Merrion Street, Leeds, LS2 8BX
Note 2	Belvedere, 12 Booth Street, Manchester, M2 4AW
Note 3	Grand Canal House, 1 Grand Canal Street Upper, Dublin 4, D04 Y7R5
Note 4	First Floor, Albert House, South Esplanade, St Peter Port, Guernsey
Note 5	27 Esplanade, St Helier, Jersey, JE1 1SG
Note 6	Via V. Betteloni 2, 20131 Milan
Note 7	Via Lanzone 31, 20123 Milan
Note 8	Via Niccolo Tommaseo 68, 35131 – Padova
Note 9	Via Pieve Torina, 44–46/a, 00156 Rome
Note 10	Foro Bonaparte 70, 20121 Milan
Note 11	Via A.Pestalozza 12/14, 20131 Milan
Note 12	Via G.Fara 26, 20124 Milan
Note 13	Kryqezimi i Rruges Irfan, Tomini me Bulevardin, Gjergj Fishta – Tirana
Note 14	Al. Jerozolimskie nr 148, 02–326, Warszawa
Note 15	Office Suite 15, Canal Edge 1, Tyger Waterfront, Carl Cronje Drive, Bellville, Western Cape, 7530, South Africa
Note 16	Edifício D. Sebastião, Rua Quinta do Quintã, nº 6, Quinta da Fonte, 2770 203 Paço de Arcos, Portugal
Note 17	Edifício Q54 D. José, Rua Quinta do Quintã, nº1,Piso 0, Fracção B, Quinta da Fonte, Oeiras, Portugal
Note 18	Avenida da República, nº 35, 4º, 1050–186, Lisboa–Portugal
Note 19	Asch van Wijckstraat 55F, 3811 LP Amersfoort, the Netherlands
Note 20	6D, route de Treves, L-2633 Senningerberg, Grand Duchy of Luxembourg
Note 21	Nijverheidsstraat 70, 2160 Wommelgem

Company: investment in subsidiaries	AGG Capital Management (Holdco) Limited £000	Arrow Global One Limited £000	Total £000
At 31 December 2020	**700**	**307,500**	**308,200**
At 31 December 2019	—	307,500	307,500

The investments in subsidiaries are all stated at cost less accumulated impairment.

24. Portfolio investments

Split of portfolio investments by period:

	2020 £000	2019 £000
Expected falling due after one year	**742,153**	916,123
Expected falling due within one year	**300,062**	247,501
Total	**1,042,215**	1,163,624

24. Portfolio investments continued

Purchased portfolio investments

The movements in portfolio investments were as follows:

As at 31 December 2020

	Financial instruments			
	Amortised cost £000	FVTPL £000	Real estate inventories £000	Total £000
As at the beginning of the year	**932,199**	**169,799**	**61,626**	**1,163,624**
Portfolios purchased during the year	**47,169**	**62,681**	**—**	**109,850**
Balance sheet cash collections in the year	**(287,662)**	**(46,074)**	**(5,136)**	**(338,872)**
Income from portfolio investments at amortised cost	**164,597**	**—**	**—**	**164,597**
Fair value gain on portfolio investments at FVTPL	**—**	**4,976**	**—**	**4,976**
Income from portfolio investments – real estate inventories	**–**	**—**	**492**	**492**
Net impairment losses	**(100,022)**	**—**	**(414)**	**(100,436)**
Exchange and other movements	**37,273**	**(3,961)**	**4,672**	**37,984**
As at the year end	**793,554**	**187,421**	**61,240**	**1,042,215**

As at 31 December 2019

	Financial instruments			
	Amortised cost £000	FVTPL £000	Real estate inventories £000	Total £000
As at the beginning of the year	869,056	217,974	—	1,087,030
Portfolios purchased during the year	248,470	30,052	25,165	303,687
Transfer between categories	11,483	(55,262)	43,779	—
Balance sheet cash collections in the year	(390,734)	(48,034)	(3,543)	(442,311)
Income from portfolio investments at amortised cost	199,094	—	—	199,094
Fair value gain on portfolio investments at FVTPL	—	32,397	—	32,397
Income from portfolio investments – real estate inventories	—	—	561	561
Net impairment gains/(losses)	12,720	—	(6)	12,714
Exchange and other movements	(4,729)	(7,328)	(4,330)	(16,387)
Portfolio restructure	(13,161)	—	—	(13,161)
As at the year end	932,199	169,799	61,626	1,163,624

Transfer between categories represents positions where the Group has originally held one type of instrument relating to a portfolio, and subsequently increased or changed its interest in the portfolio, leading to the requirement to consolidate the underlying structure onto the Group's balance sheet. This leads to a change in the classification of the portfolio investment held. The 'portfolio restructure' represents the restructure of a leveraged structured deal to move to a de-levered position, and hence change the nature of the holding whilst extinguishing related liabilities. Note that for real estate inventories, which are not financial instruments, the balance sheet cash collections figure above is analogous to total sales of inventories, and the net of balance sheet cash collections and income from portfolio investments – real estate inventories, is analogous to cost of sales of inventories. Sales of inventories are accounted for as revenue under IFRS 15, as they are not financial instruments, but are presented alongside the other portfolio investments for ease of reference.

24. Portfolio investments continued

Incorporation of forward-looking information

Note 4 includes a description of how the future cash flows are estimated for the Group's portfolio investments. Additionally, the Group incorporates forward-looking information in the measurement of portfolio investments held at amortised cost. The Group formulates three economic scenarios: a base case, which is the central scenario, developed based on consensus forecasts, and two less likely scenarios – one upside and one downside scenario.

These scenarios are calculated by an external and independent macroeconomic forecasting company and are reviewed internally before being used in the Group's models. To derive these scenarios, multiple sources of information are considered, including economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund, and selected private-sector and academic forecasts.

The Group has identified and documented key drivers of credit risk for its portfolio investments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The key drivers for credit risk for portfolio investments are: HPI's and unemployment rates, with all countries using the international labour organisation definition across countries. For exposures to specific regions, the key drivers also include relevant real estate prices.

Scenario modelling information

To assist with the understanding of how the Group has modelled the future cash flows which ultimately drive the valuation of the portfolio investment assets, the below table shows the probability that has been assigned to each macroeconomic scenario when preparing the cash flow forecasts. Note that the comparatives for 2019 have not been presented alongside the 2020 scenario modelling information, as the approach to incorporating forward looking macroeconomic forecasts has been refined in the current year.

Country	Segment	Downside	Scenario Base	Mild upside
Ireland	Secured	30%	40%	30%
UK	Secured	30%	40%	30%
UK	Unsecured	30%	40%	30%
Portugal	Secured	30%	40%	30%
Portugal	Unsecured	30%	40%	30%
Italy	Secured	30%	40%	30%
Italy	Unsecured	30%	40%	30%
The Netherlands	Secured	30%	40%	30%
The Netherlands	Unsecured	30%	40%	30%

24. Portfolio investments continued

In conjunction with the scenario probability, the information set out below can be used to determine the Group's expected range of macroeconomic environments, along with the probability-weighted average environment for each key segment and indicator. Note that where a HPI forecast is shown, these are calculated relative to the relevant pre-COVID 31 December 2019 position in the index (where pre-COVID is equal to 100%), therefore the trough in the table below might be before or after the 30 December 2020. Unemployment forecasts represent absolute levels of unemployment as a percentage of population.

Country	Segment	Scenario	Weighting	Key factor	Peak/ trough	Date	2020	2021	2022	2023
Ireland	*Secured*	*Pre-COVID*	—	*HPI*	*n/a*	—	*104.9%*	*111.9%*	*118.7%*	*124.3%*
Ireland	Secured	Mild upside	30%	HPI	n/a	—	104.8%	117.3%	130.4%	139.7%
Ireland	Secured	Base	40%	HPI	n/a	—	101.7%	105.3%	111.3%	117.9%
Ireland	Secured	Downside	30%	HPI	91.2%	Sep 2022	98.0%	92.6%	91.5%	95.4%
Ireland	Unsecured	Mild upside	30%	Unemployment	4.5%	Jun 2022	4.8%	5.3%	4.6%	4.7%
Ireland	Unsecured	Base	40%	Unemployment	6.0%	Jun 2021	5.2%	5.7%	4.9%	4.9%
Ireland	Unsecured	Downside	30%	Unemployment	12.5%	Sep 2023	9.8%	12.3%	12.2%	12.4%
UK	*Secured*	*Pre-COVID*	—	*HPI*	*n/a*	—	*102.0%*	*104.6%*	*107.7%*	*111.4%*
UK	Secured	Mild upside	30%	HPI	99.1%	Dec 2021	102.5%	99.1%	104.7%	114.0%
UK	Secured	Base	40%	HPI	94.6%	Mar 2022	100.1%	94.7%	96.1%	110.8%
UK	Secured	Downside	30%	HPI	76.5%	Sep 2023	96.7%	83.5%	78.0%	77.6%
UK	Unsecured	Mild upside	30%	Unemployment	4.9%	Dec 2020	4.9%	4.0%	3.8%	3.5%
UK	Unsecured	Base	40%	Unemployment	6.5%	Dec 2020	6.5%	5.2%	4.2%	3.7%
UK	Unsecured	Downside	30%	Unemployment	8.4%	Mar 2021	8.3%	7.6%	7.0%	6.4%
Portugal	*Secured*	*Pre-COVID*	—	*HPI*	*n/a*	—	*102.8%*	*105.1%*	*107.5%*	*110.0%*
Portugal	Secured	Mild upside	30%	HPI	98.3%	Sep 2020	99.4%	111.6%	120.3%	125.4%
Portugal	Secured	Base	40%	HPI	97.6%	Dec 2020	97.6%	103.8%	108.2%	110.7%
Portugal	Secured	Downside	30%	HPI	94.6%	Mar 2021	95.1%	95.4%	95.4%	95.3%
Portugal	Unsecured	Mild upside	30%	Unemployment	7.5%	Sep 2020	6.5%	5.0%	4.5%	5.4%
Portugal	Unsecured	Base	40%	Unemployment	8.3%	Mar 2021	7.1%	7.9%	6.6%	6.2%
Portugal	Unsecured	Downside	30%	Unemployment	12.2%	Sep 2023	7.9%	11.8%	11.1%	11.9%
Italy	*Secured*	*Pre-COVID*	—	*HPI*	*n/a*	—	*100.4%*	*101.3%*	*103.2%*	*105.2%*
Italy	Secured	Mild upside	30%	HPI	97.3%	Mar 2021	97.7%	99.8%	103.4%	107.4%
Italy	Secured	Base	40%	HPI	96.2%	Mar 2021	97.0%	97.2%	98.6%	100.5%
Italy	Secured	Downside	30%	HPI	92.5%	Sep 2023	95.7%	93.9%	93.1%	93.0%
Italy	Unsecured	Mild upside	30%	Unemployment	10.1%	Sep 2020	10.0%	9.4%	8.2%	7.7%
Italy	Unsecured	Base	40%	Unemployment	11.7%	Mar 2021	11.6%	11.1%	9.8%	9.2%
Italy	Unsecured	Downside	30%	Unemployment	13.9%	Jun 2021	13.3%	13.4%	12.0%	11.4%
Netherlands	*Secured*	*Pre-COVID*	—	*HPI*	*n/a*	—	*103.2%*	*106.2%*	*109.2%*	*112.3%*
Netherlands	Secured	Mild upside	30%	HPI	n/a	—	107.7%	121.8%	130.0%	135.0%
Netherlands	Secured	Base	40%	HPI	n/a	—	107.1%	109.5%	111.8%	114.9%
Netherlands	Secured	Downside	30%	HPI	93.2%	Mar 2022	106.2%	97.0%	93.5%	94.9%
Netherlands	Unsecured	Mild upside	30%	Unemployment	4.6%	Sep 2020	3.0%	3.4%	2.9%	3.0%
Netherlands	Unsecured	Base	40%	Unemployment	5.4%	Jun 2021	4.9%	5.4%	4.9%	4.9%
Netherlands	Unsecured	Downside	30%	Unemployment	8.0%	Jun 2021	7.0%	7.6%	7.0%	6.9%

Key sensitivities

The estimated future cash flows generated by portfolio investments are the key estimates/judgements in these financial statements. Flexing the expected future gross cash flows by -1/+1% would impact the closing carrying value of the portfolio investments as at 31 December 2020 by £9,700,000 (31 December 2019: £11,020,000). Note that this sensitivity applies only to 'amortised cost' and 'FVTPL' portfolio investments, as this is not a critical estimate for real estate portfolio assets.

A key input into the estimate of future cash flows is the probability assigned to each of the 'base', 'downside' and 'severe' cases. If 100% probability was assigned to the most optimistic/pessimistic scenario, the impact is shown in the below table, split by geography and asset class. Note that this sensitivity applies only to 'amortised

24. Portfolio investments continued

cost' and 'FVTPL' portfolio investments, as this is not a critical estimate for real estate portfolio assets, as these are only assessed for impairment each period, and such an assessment does not necessarily take into account the multiple future economic scenarios.

Geography	Carrying balance 31 December 2020 £000	Upside variance 2020 £000	Downside variance 2020 £000
UK and Ireland	**382,889**	5,617	(6,336)
Portugal	**255,255**	11,855	(21,304)
Netherlands	**140,175**	1,200	(1,389)
Italy	**263,896**	3,010	(12,200)
Total	**1,042,215**	21,682	(41,229)

Asset Class	Carrying balance 31 December 2020 £000	Upside variance 2020 £000	Downside variance 2020 £000
Secured	**330,128**	6,297	(17,889)
Unsecured	**650,847**	15,385	(23,340)
Real estate inventories	**61,240**	N/A	N/A
Total	**1,042,215**	21,682	(41,229)

25. Risks arising from financial instruments

Risk management

Credit risk

The Group's principal activity is the acquisition and management of non-performing and non-core consumer and commercial unsecured, secured and real estate portfolios. Most portfolios by their nature are impaired at acquisition and the Group continually monitors balance sheet cash collections that in turn inform the ERCs on which the portfolio carrying value is calculated. The ongoing risk is managed through a portfolio valuation process including modelling current expectations of recoverability based on historical information of debt types, also factoring in sale recoveries from collateral held on the secured portfolios. Further details of the forecasting process are given in note 4.ii.

An investment credit committee process is in place to approve investments on the Arrow balance sheet and in respect of Arrow's participation in fund investments through its separately managed account, which includes at least two members of the executive committee as well as other key members from relevant areas of the business, including oversight by the risk management function. The Group also monitors its exposure to geographic concentration of assets. This process exists to scrutinise all aspects of a portfolio acquisition from reputational and regulatory risk through to the financial assumptions and maximum bid price.

Where portfolio investments are measured at amortised cost using the EIR method, as part of the regular monitoring process, the future cash flows in the ERCs are updated, with impairment gains/losses as a result of changes to the estimated cash flows discounted at the EIR rate. Where portfolio investments are measured at FVTPL, they are measured using a discounted cash flow model.

With the introduction of IFRS 9 in 2018, the Group's management of credit risk is now further enhanced through the modelling of multiple economic scenarios and the impact this is expected to have on future balance sheet cash collections performance. All of the Group's portfolio investments have been classified as POCI, due to their credit-impaired nature at the date of purchase. Therefore, no consideration has been given to the staging requirements of IFRS 9 for the Group's portfolio assets.

25. Risks arising from financial instruments continued

In the UK, the Group constructed its own proprietary data repository in 2005 and has added additional historic data on credit performance in the markets in which it operates. It now has tens of millions of records. This is used to inform balance sheet cash collections strategies and to help establish affordable repayment plans and settlements with our customers across all geographies. Given the nature of the portfolios the Group purchases, most arrangements entered into with our customers are of a non-contractual nature, where we work to establish, or re-establish, suitable payment plans that are affordable and sustainable.

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.

Credit quality analysis

The Group's purchased portfolio investments have been classified as purchased or originated as credit impaired (POCI) as they include financial instruments that were credit-impaired at initial recognition, irrespective of whether they are still credit-impaired at the reporting date. Expected credit losses (ECL) against POCI exposures are always calculated on a lifetime basis (cumulative changes in ECL since initial recognition), and are reflected in the credit-adjusted effective interest rate at initial recognition. As a result, no loss allowance is recognised at inception. Subsequently, any changes in lifetime ECL after initial recognition are recognised in profit or loss. The ECL calculation for POCI assets is based on an ECL over 84-months.

In determining ECLs, the assessment of forward-looking economic assumptions, which are sourced from an independent specialist forecasting company, the Group considers a number of macroeconomic scenarios, including assumptions on unemployment, interest rates and CPI, and where appropriate, HPI. These scenarios are probability weighted according to their likely occurrence. The scenarios include a central scenario, based on the current economic environment, as well as upside and downside scenarios. The estimation and application of this forward-looking information requires significant judgement and is subject to appropriate internal governance.

Impairment gains/losses are changes to carrying values, discounted at the EIR rate, of the acquired debt portfolios as a result of reassessments of their estimated future cash flows and are recognised in the line item 'impairment gains on portfolio investments at amortised cost'. There are generally no credit risk mitigants relating to the Group's unsecured portfolio investments.

As all of the Group's amortised cost portfolio assets are POCI, the cash flows are subject to reassessment each period. For any portfolios that may be sold to a third party from time to time, these are first subject to a cash flow reassessment. Expected cash flows in such a scenario would be linked to the likely sale proceeds, meaning that all such assets would be written to their expected selling price via an impairment gain/loss, before being sold.

The following tables sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated the amounts in the table represent gross carrying amounts.

As at 31 December 2020

	Stage 1-3 £000	POCI £000	Total £000
Portfolio investments – amortised cost	**—**	**793,554**	**793,554**
Loss allowance	**—**	**N/A**	**N/A**
Carrying amount	**—**	**793,554**	**793,554**

As at 31 December 2019

	Stage 1-3 £000	POCI £000	Total £000
Portfolio investments – amortised cost	—	932,199	932,199
Loss allowance	—	N/A	N/A
Carrying amount	—	932,199	932,199

25. Risks arising from financial instruments continued

The following table sets out a geographical analysis of all portfolio investments:

All portfolio balances	2020 £000	2019 £000
UK and Ireland	**382,889**	452,584
Netherlands	**140,175**	157,350
Portugal	**255,255**	295,695
Italy	**263,896**	257,995
Total	**1,042,215**	1,163,624

The following tables sets out further credit analysis for portfolio investments measured at amortised cost:

As at 31 December 2020

Amortised cost portfolio balances	Secured £000	Unsecured £000	Total £000
UK and Ireland	**42,718**	**298,163**	**340,881**
Netherlands	**2,299**	**53,498**	**55,797**
Portugal	**69,473**	**137,433**	**206,906**
Italy	**72,163**	**117,807**	**189,970**
Total	**186,653**	**606,901**	**793,554**

As at 31 December 2019

Amortised cost portfolio balances	Secured £000	Unsecured £000	Total £000
UK and Ireland	55,348	352,028	407,376
Netherlands	1,989	64,820	66,809
Portugal	87,506	162,388	249,894
Italy	95,244	112,876	208,120
Total	240,087	692,112	932,199

Portfolio balances are based on the customer's country of domicile.

The Group's maximum exposure to credit risk on portfolio investments is considered equal to the current carrying balance of such portfolio investments.

Information on collateral held against amortised cost secured loans

The following table stratifies credit exposures from secured portfolio investments held at amortised cost by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral is based on the most recent appraisals. LTV stratification is deemed a more relevant measure of the value of collateral held against secured loans than gross collateral values held, which may include an amount which is not due to the Group upon realisation.

LTV Ratio	2020 £000	2019 £000
Less than 50%	**56,070**	89,119
51-70%	**13,315**	21,796
71-90%	**16,250**	16,986
91-100%	**4,749**	12,263
More than 100%	**96,269**	99,923
Total	**186,653**	240,087

25. Risks arising from financial instruments continued

Other types of credit enhancements

In addition to the collateral included in the tables above, the Group holds other types of collateral and credit enhancements, such as second charges and floating charges for which specific values are not generally available.

Assets obtained by taking possession of collateral

There have been no instances of financial or non-financial assets, obtained by the Group during the year, by taking possession of collateral held as security against portfolio investments.

The Group's policy is to pursue timely realisation of the collateral in an orderly manner. The Group does not generally use the non-cash collateral for its own operation.

Significant increase in credit risk

There are no significant increases or decreases in credit risk since origination as all portfolio investments have been deemed to be purchased or originated credit impaired on initial recognition.

Cash and cash equivalents

As part of credit risk, the Group is subject to counterparty risk in respect of the cash and cash equivalents held on deposit with banks and foreign currency and derivative financial instruments. Counterparty risk with debt sellers is managed through contractual arrangements and warranties.

The Group generally deposits cash and undertakes currency and derivative transactions with highly rated banks, with limits on the level of exposure to any one institution. Institutions with lower credit ratings can only be used with board approval.

No collateral or credit enhancements are held in respect of any financial derivatives. The maximum credit risk on derivatives and trade receivables is the full carrying amount. The maximum exposure to counterparty risk is as follows:

	2020 £000	As re-presented 2019 £000
Cash and cash equivalents	**182,892**	115,376

The table represents a worst-case scenario of the counterparty risk that the Group is exposed to. The 31 December 2020 balance is spread across a number of counterparties with the top five accounting for 65% of the total (2019: 44%). The maximum exposure to one counterparty is £75 million (2019: £16 million). The 2019 balance has been re-presented to include £26,611,000 of cash which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated securitisation structure awaiting a payment date. See note 16 on page F-73 for more detail.

The cash and cash equivalents are held with banks and financial institution counterparties whose external credit ratings, by either S&P Global Ratings or Moody's Investor Service, are as follows:

	2020 %	2019 %
AA	**3**	23
A	**72**	34
Below A	**25**	43
Total cash and cash equivalents	**100**	100

25. Risks arising from financial instruments continued

Treasury-related risks

The board approves treasury policies and the treasury function manages the day-to-day operations. The board delegates certain responsibilities to the asset and liability committee, which is chaired by the Group chief financial officer, and is empowered to take decisions within that delegated authority. Treasury activities and compliance with treasury policies are reported to the board on a regular basis and are subject to periodic independent reviews and audits, both internal and external. Treasury policies are designed to manage the main financial risks faced by the Group in relation to funding and liquidity risks, counterparty credit risk and market risks being interest rate risk and foreign currency risk. This is to ensure the Group is properly funded, that financial counterparties are of appropriate credit quality and that interest rate and currency risks are managed within set limits. Policies also set out the specific instruments that can be used for risk management.

The treasury function enters into derivative transactions, principally interest rate swaps and forward currency contracts. The purpose of these transactions is to manage the interest rate and currency risks arising from the Group's business operations. No transactions of a speculative nature are undertaken, and written options may only be used when matched by purchased options. No written options were entered into during 2020 (2019: £nil).

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by cash or another financial asset.

The Group is subject to the risk that it will not have sufficient borrowing facilities to fund its existing business and its future plans for growth. The treasury policy adopted by the Group serves to reduce this risk by setting a specific policy parameter that there are sufficient committed debt facilities and cash and cash equivalents to meet contractual maturities on borrowing facilities plus an operational headroom. In addition, the Group aims to ensure that leverage is within the target range of 3.0 to 3.5 times, there is an appropriate refinancing profile with phased maturity dates and it has diversified funding sources with no over-reliance on a single or small group of lenders or type of funding. At 31 December 2020, the Group's senior secured notes, revolving credit facility and asset-backed security transaction had an average period to maturity of 3.7 years (2019: 4.8 years). Total cash and undrawn facilities, which excludes cash that may be subject to constraints regarding when the balance can be remitted, were £174.6 million at 31 December 2020 (2019: £152.9 million).

The treasury function monitors cash through daily reporting, the management accounts and periodic review meetings. Management has well-established models used to predict collectability of cash receipts and this represents a key performance indicator of the business. The Group is highly cash generative with regular cash receipts and portfolio purchases (except forward flows) are discretionary, which helps to mitigate liquidity risk.

The key measure used by the Group for managing liquidity risk is liquidity headroom, which includes cash and cash equivalents and the headroom under the two committed facilities, being the revolving credit facility and the asset-backed security facility. Liquidity headroom excludes cash which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated securitisation structure awaiting a payment date. Details of the liquidity headroom as at the reporting date and during the reporting period were as follows:

	2020 £000	2019 £000
At 31 December	**174,648**	152,874
Average for the period	**174,738**	138,061
Maximum for the period	**225,463**	198,888
Minimum for the period	**129,020**	109,257

25. Risks arising from financial instruments continued

Maturity analysis

The table below sets out the remaining contractual maturities (undiscounted) of the Group's financial liabilities and financial assets and includes both interest and principal cash flows, payable over the contractual life of the non-derivative financial liabilities.

Group As at 31 December 2020	Less than 1 month £000	Within 1 year £000	1-2 years £000	3-5 years £000	More than 5 years £000	Total £000
Financial liability by type:						
Trade and other payables	**2,338**	**90,421**	**20,949**	**28,082**	**7,431**	**149,221**
Lease liabilities	**373**	**3,843**	**4,415**	**6,844**	**5,703**	**21,178**
€400 million secured senior note (2.875% plus 3-month Euribor)	**789**	**9,544**	**10,333**	**385,241**	**—**	**405,907**
€285 million secured senior note (3.75% plus 3-month Euribor)	**764**	**8,839**	**9,603**	**28,809**	**258,479**	**306,494**
£320 million secured senior note (5.125%)	**713**	**15,687**	**16,400**	**352,800**	**—**	**385,600**
Revolving credit facility[1]	**790**	**8,495**	**9,251**	**289,558**	**—**	**308,094**
Asset-backed securitisation	**1,552**	**85,414**	**47,653**	**19,874**	**—**	**154,493**
Other borrowings	**—**	**632**	**1,483**	**1,132**	**—**	**3,247**
Bank overdrafts	**3,648**	**—**	**—**	**—**	**—**	**3,648**
Total financial liabilities	**10,967**	**222,875**	**120,087**	**1,112,340**	**271,613**	**1,737,882**
Financial asset by type:						
Cash and cash equivalents	**182,892**	**—**	**—**	**—**	**—**	**182,892**
Portfolio investments (excluding REOs)	**23,064**	**279,912**	**303,676**	**656,036**	**188,058**	**1,450,746**
Total financial assets	**205,956**	**279,912**	**303,676**	**656,036**	**188,058**	**1,633,638**

1. Reflects all drawings at 31 December 2020 being held to the facility maturity date of 4 January 2024.

Group As at 31 December 2019	Less than 1 month £000	Within 1 year £000	1-2 years £000	3-5 years £000	More than 5 years £000	Total £000
Financial liability by type:						
Trade and other payables	21,037	123,922	31,206	23,413	1,018	200,596
Lease liabilities	23	5,194	4,347	9,267	5,029	23,860
€400 million secured senior note (2.875% plus 3-month Euribor)	842	9,103	9,918	29,780	341,840	391,483
€285 million secured senior note (3.75% plus 3-month Euribor)	—	9,242	9,217	27,676	253,126	299,261
£320 million secured senior note (5.125%)	—	16,445	16,400	363,763	—	396,608
Revolving credit facility[1]	498	5,385	5,867	246,409	—	258,159
Asset-backed securitisation	276	2,979	15,071	78,393	—	96,719
Other borrowings	—	2,695	41	936	—	3,672
Bank overdrafts	1,386	—	—	—	—	1,386
Total financial liabilities	24,062	174,965	92,067	779,637	601,013	1,671,744
Financial asset by type:						
Cash and cash equivalents – as re-presented	115,376	—	—	—	—	115,376
Portfolio investments (excluding REOs)	31,420	339,856	324,294	691,327	324,406	1,711,303
Total financial assets	146,796	339,856	324,294	691,327	324,406	1,826,679

1. Reflects all drawings at 31 December 2019 being held to the facility maturity date of 4 January 2024.

The above tables includes a maturity analysis for financial assets that it holds as part of managing liquidity risk – e.g. financial assets that are expected to generate cash inflows to meet cash outflows on financial liabilities – to enable the user to evaluate the nature and extent of the Group's and the Company's liquidity risk.

25. Risks arising from financial instruments continued

As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents which can be readily used to meet liquidity requirements. In addition, the Group maintains agreed lines of credit with other banks.

For more detail on the cash and cash equivalents re-presentation, see note 31 on page F-112.

The non-derivative financial liabilities and financial assets are calculated based upon the undiscounted cash flows, which include estimated interest payments. The analysis above includes the contractual cash flow for borrowings and the total amount of interest payable over the life of the loan. Where borrowings are subject to a floating rate, an estimate of interest payable is taken. The rate is derived from interest rate yield curves at the statement of financial position date.

Company As at 31 December 2020	Less than 1 month £000	Within 1 year £000	1-2 years £000	3-5 years £000	More than 5 years £000	Total £000
Financial liability by type:						
Trade and other payables	**777**	**3,280**	**—**	**—**	**—**	**4,057**
Total financial liabilities	**777**	**3,280**	**—**	**—**	**—**	**4,057**
Financial asset by type:						
Cash and cash equivalents	**49**	**—**	**—**	**—**	**—**	**49**
Total financial assets	**49**	**—**	**—**	**—**	**—**	**49**

Company As at 31 December 2019	Less than 1 month £000	Within 1 year £000	1-2 years £000	3-5 years £000	More than 5 years £000	Total £000
Financial liability by type:						
Trade and other payables	489	1,518	—	—	—	2,007
Total financial liabilities	489	1,518	—	—	—	2,007
Financial asset by type:						
Cash and cash equivalents	18	—	—	—	—	18
Total financial assets	18	—	—	—	—	18

The analysis above includes the contractual cash flow for borrowings and the total amount of interest payable over the life of the loan. Where borrowings are subject to a floating rate, an estimate of interest payable is taken. The rate is derived from interest rate yield curves at the statement of financial position date.

In addition to the above, the Group has entered into certain forward flow agreements to which it has committed to pay an estimated £48,000,000 (2019: £24,600,000) over the next five years.

The following analysis shows the gross non-discounted contractual cash flows in respect of foreign currency contract derivative assets and liabilities, and interest rate swap derivative liabilities, which are all designated as cash flow hedges:

	2020		2019	
	Outflow £000	Inflow £000	Outflow £000	Inflow £000
Not later than one month	**21**	**—**	84	—
Later than one month and not later than six months	**21**	**—**	135	—
Later than six months and not later than one year	**42**	**—**	217	—
Later than one year and not later than two years	**—**	**—**	79	—
Later than two years and not later than five years	**—**	**—**	—	—
	84	**—**	515	—

The above table shows the gross contractual undiscounted cash flows receivable and payable on the derivative financial instruments.

25. Risks arising from financial instruments continued

When the amount payable or receivable is not fixed, the amount disclosed has been determined with reference to the projected interest rates as illustrated by the interest rate yield curves existing at the statement of financial position date.

The derivative financial instruments are held across a number of counterparties; the largest net cash flow exposure to a single counterparty at 31 December 2020 is £0.03 million (2019: £0.2 million).

Financial assets pledged as collateral

See note 29 on page F-108 for more information.

Market risk

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk principally comprises interest rate risk and currency risk and are considered further below. Note that the Group does not hold any trading portfolios for the purposes of these disclosures.

Interest rate risk

The Group has an exposure to interest rate risk arising on changes in interest rates on its borrowings, principally on the floating rate senior secured notes, and therefore seeks to limit this exposure. This is achieved by the use of techniques to fix interest rate costs, including fixed-rate funding (predominantly longer-term bond funding), bank borrowing loan draw down periods and interest rate hedging instruments. These techniques are used to hedge the interest rate costs on a proportion of borrowings over a certain period of time. Most hedging is for up to three years.

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

	2020 £000	As re-presented 2019 £000
Fixed-rate instruments		
Financial liabilities	**320,000**	320,000
	320,000	320,000
Variable-rate instruments		
Financial assets	**(182,892)**	(115,376)
Financial liabilities	**1,047,521**	912,855
Effect of interest rate swaps	**(161,734)**	(340,237)
Net variable rate	**702,895**	457,242

For more detail on the cash and cash equivalents re-presentation, see note 31 on page F-112.

If interest rates across all countries of operation increased by 50 basis points this would have the following impact:

	2020 £000	2019 £000
Increase in fair value of derivatives	—	470
Reduction in profit before taxation	**(671)**	(1,369)

25. Risks arising from financial instruments continued

This sensitivity analysis is based on the following assumptions:

- the change in market interest rates occurs in all countries where the Group has borrowings and/or derivative financial instruments;
- where financial liabilities are subject to fixed interest rates or have their interest rate fixed by hedging instruments it is assumed that there is no impact from a change in interest rates; and
- changes in market interest rates affect the fair value of derivative financial instruments.

Currency risk

The Group is subject to three types of currency risk: cash flow exposure, net asset exposure and income statement exposure.

Cash flow exposure

The Group is subject to currency risk in respect of future cash flows which are denominated in foreign currency. The policy of the Group is to hedge a large proportion of this currency risk in respect of cash flows which are highly likely to arise in the following 12 months. Where cash flow hedges have been entered into, they are designated as cash flow hedges on specific future transactions.

Net asset exposure

A proportion of the Group's net assets are denominated in Euro. The Group limits its exposure to currency risk on non-functional funding through forward currency contracts. The statement of financial position is reported in Sterling and this means that there is a risk that a fluctuation in foreign exchange rates will have an impact on the net assets of the Group. The Group aims to minimise the value of net assets denominated in Euro by funding portfolio assets with Euro denominated borrowings where possible.

Income statement exposure

As with net assets, a proportion of the Group's profit is denominated in Euro but translated into Sterling for reporting purposes. The result for the period is translated into Sterling at the average exchange rate. A risk therefore arises that a fluctuation in the exchange rate relative to the Euro will have an impact on the consolidated result for the period. This risk is managed by the Group matching Euro asset purchases with Euro funding wherever possible, to achieve an element of natural hedging.

If foreign exchange rates had been 10% stronger than Sterling than those at the statement of financial position date and all other variables were held constant, the Group's net assets and net profit for each significant denomination of currency would increase as follows:

Equity and net assets	2020 £000	2019 £000
Currency		
Euro (EUR)	**21,456**	21,380
	21,456	21,380

Net profit	2020 £000	2019 £000
Currency		
Euro (EUR)	**298**	9,800
	298	9,800

The above assumes that there is no impact on retained earnings or equity arising from those items which are naturally hedged (where the currency asset is exactly equal to the currency liability).

25. Risks arising from financial instruments continued

If foreign exchange rates had been 10% weaker than Sterling than those at the statement of financial position date and all other variables were held constant, the Group's net assets and net profit for each significant denomination of currency would increase as follows:

Equity and net assets	2020 £000	2019 £000
Currency		
Euro (EUR)	**(17,555)**	(17,493)
	(17,555)	(17,493)

Net profit	2020 £000	2019 £000
Currency		
Euro (EUR)	**(244)**	(8,018)
	(244)	(8,018)

The above assumes that there is no impact on retained earnings or equity arising from those items which are naturally hedged (where the currency asset is exactly equal to the currency liability).

Capital risk management

The Group is subject to the risk that its capital structure will not be sufficient to support the growth of the business. The Group is currently not required to hold regulatory capital but seeks to maintain leverage (calculated as secured net debt over Adjusted EBITDA) of between 3.0 and 3.5 times. During the impacts of COVID-19, leverage increased to 5.1 times as at 31 December 2020, above the target range.

The Group aims to maintain appropriate capital to ensure that it has a strong statement of financial position but at the same time is providing a good return on equity to its shareholders. The Group's long-term aim is to ensure that the capital structure results in an optimal ratio of debt and equity finance.

The capital structure of the Group consists of cash, cash equivalents debt and equity.

Management reviews the capital structure on an ongoing basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group's position as at 31 December 2020 was:

	2020 £000	2019 £000
Ordinary share capital and premium	**349,210**	349,205
Other reserves excluding opening IFRS 16 adjustments	**(236,012)**	(150,866)
Impact of adopting IFRS 16	**—**	(947)
Total equity and reserves	**113,198**	197,392

26. Financial assets and liabilities

Fair values of financial assets and liabilities

The fair value and carrying value of the financial assets and liabilities of the Group are set out below. The Group does not apply 'offsetting' to any of its financial assets and liabilities.

2020	Mandatorily at FVTPL £000	FVOCI £000	Amortised cost £000	Total carrying amount £000	Total fair value £000
Portfolio investments	**187,421**	**—**	**793,554**	**980,975**	**1,036,819**
Cash and cash equivalents	**—**	**—**	**182,892**	**182,892**	**182,892**
Other receivables classified as financial assets	**—**	**—**	**57,586**	**57,586**	**57,586**
Total financial assets	**187,421**	**—**	**1,034,032**	**1,221,453**	**1,277,297**

26. Financial assets and liabilities continued

2020	Mandatorily at FVTPL £000	FVOCI £000	Amortised cost £000	Total carrying amount £000	Total fair value £000
Senior secured notes	**—**	**—**	**930,575**	**930,575**	**926,762**
Revolving credit facility	**—**	**—**	**277,552**	**277,552**	**277,552**
Asset-backed loans	**—**	**—**	**143,985**	**143,985**	**143,985**
Bank overdrafts	**—**	**—**	**3,648**	**3,648**	**3,648**
Other borrowings	**—**	**—**	**3,247**	**3,247**	**3,247**
Derivative liability	**83**	**—**	—	**83**	**83**
Trade and other payables classified as financial liabilities	**475**	**—**	**112,225**	**112,700**	**112,700**
Total financial liabilities	**558**	**—**	**1,471,232**	**1,471,790**	**1,467,977**

2019	Mandatorily at FVTPL £000	FVOCI £000	Amortised cost £000	Total carrying amount £000	Total fair value £000
Portfolio investments	169,799	—	932,199	1,101,998	1,101,275
Cash and cash equivalents — as re-presented	—	—	115,376	115,376	115,376
Trade and other receivables classified as financial assets — as re-presented	—	—	39,487	39,487	39,487
Total financial assets	169,799	—	1,087,062	1,256,861	1,256,138

For more detail on the re-presentations, see note 16 on page F-73.

2019	Mandatorily at FVTPL £000	FVOCI £000	Amortised cost £000	Total carrying amount £000	Total fair value £000
Senior secured notes	—	—	897,875	897,875	904,853
Revolving credit facility	—	—	230,963	230,963	230,963
Asset-backed loans	—	—	84,077	84,077	84,077
Bank overdrafts	—	—	1,386	1,386	1,386
Other borrowings	—	—	3,672	3,672	3,672
Derivative liability	509	—	—	509	509
Trade and other payables classified as financial liabilities	12,549	—	151,586	164,135	164,135
Financial liabilities	13,058	—	1,369,559	1,382,617	1,389,595

Fair value estimation

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For instruments that trade infrequently and have little price transparency, fair value is less objective, and required 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.

26. Financial assets and liabilities continued

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 the differences between the instruments.

Application to the Group's financial assets and liabilities

The fair value of amortised cost portfolio investments has been calculated by observing the compression in market yields over time and applying the difference between current average market IRRs for the Group's most recent vintage, and applying this as a premium or discount to prior years' vintages. This approach takes into account changes in market pricing factors over time, while retaining the consideration of the individual characteristics of each portfolio. As this calculation is based on unobservable inputs, these fair values would be categorised as level 3 values. The primary unobservable input to which this valuation is sensitive to is the current market rates for portfolios. A 1% rise/fall in this rate would lead to a reduction/uplift in fair value of £(12,192,000)/£12,636,000.

The fair value of cash and cash equivalents and the revolving credit facility are deemed to be equal to their carrying amount.

The carrying value of other receivables and payables classified as financial assets/liabilities is deemed to be a good approximation of their fair value, due to their short maturity and low credit risk. These would be considered as level 3 fair values.

The carrying value of asset-backed loans is deemed to be a good approximation of their fair value. Given the significant collateral underpinning the asset-backed loans, it is deemed appropriate to not adjust the carrying value for expected credit losses when deriving the fair value of the loans. Additionally, the market rate is not deemed to have materially changed since the issuance of the asset-backed loans. The fair value would be categorised as a level 3 value.

The fair value of the senior secured notes has been calculated by reference to broker quotes that are based on observable market inputs and therefore would be included as level 2 in the fair value hierarchy table should the liability have been held at fair value.

Derivative financial instruments are held at fair value, which is equal to the expected future cash flows arising as a result of the derivative transaction. For other financial assets and liabilities, which are all short-term in nature, the carrying value is a reasonable approximation of fair value.

Financial instruments measured at fair value – fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

Level 2	2020 £000	2019 £000
Liabilities:		
Interest rate swaps	**(83)**	(509)
	(83)	(509)

26. Financial assets and liabilities continued

Level 3	2020 £000	2019 £000
Assets:		
Portfolio investments	**187,421**	169,799
Liabilities:		
Contingent consideration	**(475)**	(12,549)
	186,946	157,250

There have been no transfers between level 2 or level 3. However, it has been determined that contingent consideration liabilities qualify as level 3 financial liabilities held at FVTPL. As such, they are now included within this disclosure.

The fair value of derivative financial instruments has been calculated by discounting expected future cash flows using interest rate yield curves and forward foreign exchange rates prevailing at 31 December 2020.

Total gains on portfolio investments recognised at FVTPL have been presented in the income statement as 'Fair value gains on portfolio investments at FVTPL'. The fair value of portfolio investments recognised as FVTPL has been calculated by using a discounted cash flow model. The significant unobservable inputs used in the calculation of portfolio investments categorised as level 3 in the fair value hierarchy are estimated future cash flows (ERCs) derived from management forecasts and the discount rate appropriate to the investment and the anticipated rate of return.

The total 84-month ERC value for the Group's portfolio investments held at FVTPL is £249,551,000, with an average discount rate of 13.1%. An increase/decrease in ERC of 1% would lead to an increase/decrease in the carrying value of portfolio investments held at FVTPL of £1,874,000/ (£1,874,000). An increase/decrease in the discount rate of 1% would lead to a decrease/increase in the carrying value of portfolio investments held at FVTPL of (£3,543,000)/£3,664,000.

The total ERC value for the Group's portfolio investments held at amortised cost is £1,169,286,000, with an average discount rate of 21.5%. An increase/decrease in ERC of 1% would lead to an increase/decrease in the carrying value of portfolio investments held at amortised costs of £7,936,000/(£7,936,000). An increase/decrease in the discount rate of 1% would lead to a decrease/increase in the carrying value of portfolio investments held at amortised of (£12,192,000)/£12,636,000. A full reconciliation between the opening and closing portfolio investments held at FVTPL has been provided in note 24. For a fuller description of how the future cash flows are estimated, please refer to note 4.

The reconciliation of portfolio investments held at FVTPL can be seen as part of the total portfolio investments reconciliation table in note 24 on page F-83.

Reconciliation of level 3 fair values – contingent consideration

Contingent consideration – level 3	2020 £000	2019 £000
As at the beginning of the year	**12,549**	38,455
Additional liabilities entered into in the period	**—**	4,300
Contingent consideration remeasurement to deferred consideration	**(5,755)**	—
Deferred consideration renegotiations	**—**	(21,119)
Transfer to trade and other payables	**(6,774)**	—
Consideration repaid in the year	**—**	(8,678)
Foreign exchange gain	**455**	(409)
As at the year end	**475**	12,549

Contingent consideration has arisen as a result of business combinations in the prior periods. Of the remaining 2020 balance, £475,000 relates to the acquisition of Drydens and has a minimum/maximum pay-out of £nil/£500,000. In

26. Financial assets and liabilities continued

2019, the contingent consideration was remeasured, partly due to the renegotiation of the terms of the deferred consideration in the period. Of the closing balance in 2019, €10 million relates to the acquisition of Norfin and has a minimum/maximum pay-out of €5 million/€10 million (subject to the performance of the business). The remainder relates to the acquisition of Drydens, with a minimum/maximum pay-out of £nil/£5 million (subject to the performance of the business).

Financial instruments not measured at fair value – fair value hierarchy

The following table analyses financial instruments not measured at fair value at the reporting date, by the level in the fair value hierarchy into which the measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments, receipts and exposure to currency rate fluctuations. The total notional amount of outstanding foreign currency contracts that the Group is committed to at 31 December 2020 is £nil (2019: nil). During the year, £nil (2019: £8,000) was recycled from equity to the statement of profit or loss and other comprehensive income, within finance costs, as a result of maturity of the short dated foreign exchange swaps during the year and an amount of £nil has been charged to equity for the Group in the period in respect of cash flow hedges (2019: £100,000).

Level 3	2020 £000	2019 £000
Assets:		
Portfolio investments – amortised cost	**793,554**	932,199
Total assets	**793,554**	932,199

There have been no transfers in or out of level 3. However, it has been determined that deferred consideration liabilities qualify as level 3 financial liabilities held at amortised cost. The statement of financial position value of the Group's portfolio investments not measured at fair value, is derived from discounted cash flows generated by an internal model. For a fuller description of how the future cash flows are estimated, please refer to note 4. Following acquisition, the fair value will move directionally in line with carrying amount but may deviate as market conditions change.

The Group has an established control framework covering the measurement of portfolio investment carrying values. This includes regular monitoring of portfolio performance overseen by the portfolio review committee, which considers actual versus forecast results at an individual portfolio level, re-forecasts cash flows on a semi-annual basis, reviews actual against forecast gross money multiple, approves 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 year of the portfolio investments can be seen in note 24.

The Company did not hold any other financial instruments not measured at fair value for which a fair value needs to be calculated (2019: none).

Derivatives designated as cash flow hedges

	2020		2019	
Instrument type	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Interest rate swaps	**—**	**83**	—	509
Total derivatives designated as cashflow hedges	**—**	**83**	—	509

26. Financial assets and liabilities continued

Interest rate hedging

The Group has Euro interest rate swaps, which hedge floating 3-month Euribor with a zero percent floor to a fixed rate and have been designated as cash flow hedges, in place for a Sterling equivalent notional amount of £161,734,000 (2019: £340,237,000). In 2019 and 2020, these interest rate swaps covered current borrowings, being the floating rate senior secured Euro notes. An amount of £427,000 has been credited to equity for the Group in the period in respect of cash flow hedges (2019: £286,000 credit). All hedge relationships have been effective in the year and are expected to maintain effectiveness.

Hedge effectiveness is assessed based upon the relative changes in cash flows arising from the specified portion of the Group's floating rate borrowings, relative to the change in cash flows of the interest rate swaps (using the hypothetical derivative method). The hedges are deemed to be highly effective in the current and prior period. In such hedge relationships, the main source of potential hedge ineffectiveness is counterparty credit risk, of both parties, including the Group. There are no other material sources of hedge ineffectiveness.

Interest rate swaps in place at the statement of financial position date are designated, and are effective under IFRS 9, as cash flow hedges, and their fair value has been recognised in the hedging reserve. All interest rate swaps are categorised as highly effective and no ineffectiveness charge has been made to the statement of profit or loss and other comprehensive income in the year (2019: no charge). No re-classifications into or out of the hedging reserve were made in relation to interest rate swaps.

The Company did not hold any interest rate swaps at 31 December 2020 (31 December 2019: £nil). The interest payable and receivable under the interest rate swaps are expenses directly to the statement of profit and loss and no charge has been made to the Company's equity.

The calculation methodology of Euribor changed during 2019. In July 2019, the Belgian Financial Services and Markets Authority granted authorisation with respect to Euribor under the European Union Benchmarks Regulation. This allows market participants to continue to use Euribor after 1 January 2020 for both existing and new contracts. The Group expects that Euribor will continue to exist as a benchmark rate for the foreseeable future. The Group does not anticipate changing the hedged risk to a different benchmark. For these reasons, the Group does not consider its cash flow hedges of the Euribor benchmark interest rate to be directly affected by the interest rate benchmark reform at 31 December 2020. No hedge relationships have any exposure to LIBOR.

At 31 December 2020, the Group held the following instruments to hedge exposures to changes in interest rates.

	2020		2019	
Interest rate risk	Less than 1 year	1-5 years	Less than 1 year	1-5 years
Interest rate swaps				
Nominal amount (£000)	**180,000**	—	187,130	153,107
Average fixed interest rate	**0.05%**	—	0.19%	0.05%

Reconciliation of components of equity

Reconciliation of components of equity	Hedging reserve £000
Balance at 1 January 2020	**(423)**
Cash flow hedges	
Effective portion of changes in fair value:	
Interest rate risk	**427**
Related tax	**(71)**
Balance at 31 December 2020	**(67)**

27. Unconsolidated structured entities

Unconsolidated structured entities are all structured entities that the Group has an interest in, but does not control. The Group uses structured entities in the normal course of business to facilitate acquisitions of portfolios in accordance with local law, to allow co-investment with other parties, or to implement the financing required to acquire portfolios.

In addition to exposures to unconsolidated structured entities, the Group also undertakes Asset Management and Servicing activities for certain structured entities in which the Group has no other interests. Such activities are charged at a market rates, on terms normal for the industry, and are considered to be a typical customer/supplier relationship per the meaning of this term set out in 'IFRS 12 – Disclosure of Interests in Other Entities'.

Nature and risks associated with Group interests in unconsolidated structured entities:

Geography of operations

Underlying asset type	UK and Ireland	Portugal	Italy	Netherlands
Loan receivables	2	6	2	5
Real estate	2	3	—	2
Number of entities as at 31 December 2020	**4**	**9**	**2**	**7**

Portfolio investments	UK and Ireland £000	Portugal £000	Italy £000	Netherlands £000
FVTPL	18,991	23,718	37,459	81,833
Amortised cost	—	1,929	—	—
Total assets as at 31 December 2020	**18,991**	**25,647**	**37,459**	**81,833**
Total liabilities as at 31 December 2020	**—**	**—**	**—**	**—**

The maximum exposure to loss is the carrying value of the instruments summarised above, due to the nature of the Group's holdings at the fact that no additional support has been provided or committed to the vehicles.

Unconsolidated structured entities in which the Group holds an interest are typically financed by a form of junior profit participation note, and in some instances also have senior secured or senior unsecured liabilities to which the junior positions are subordinated.

2019 comparative:

Geography of operations

Underlying asset type	UK and Ireland	Portugal	Italy	Netherlands
Loan receivables	1	6	5	4
Real estate	—	1	—	2
Number of entities as at 31 December 2019	**1**	**7**	**5**	**6**

Portfolio investments	UK and Ireland £000	Portugal £000	Italy £000	Netherlands £000
FVTPL	4,203	18,864	12,070	89,451
Amortised cost	—	2,976	6,080	2,008
Total assets as at 31 December 2019	**4,203**	**21,840**	**18,150**	**91,459**
Total liabilities as at 31 December 2019	**—**	**—**	**—**	**—**

28. Share-based payments – Group and Company

Share incentive plan (SIP)

In 2020 (and previously April 2019, 2018, 2017, 2016, 2015 and 2014), the Company offered to all UK employees the opportunity to participate in a SIP, where the Company gives the participating employees one matching share for each partnership share acquired on behalf of the employee using the participating employees' gross salaries. The shares vest at the end of three years on a rolling basis as they are purchased, with employees required to stay in employment for the vesting period to receive the shares.

On 30 December 2014, the Group provided eligible employees with a free share award worth £500, with a grant date price per share of £2.29 as part of the Arrow Global Group SIP. The free shares vested in 2017, with restrictions attached to these shares ceasing to have effect from the vesting date.

Long-term incentive plan (LTIP)

On 25 June 2020, nil-cost share options and conditional awards were granted to eligible employees based on a maximum of 200% of base salary. The LTIP awards vest at the end of three years, subject to the achievement of performance conditions.

On 20 June 2019, nil-cost share options were granted to eligible employees based on a maximum of 200% of base salary. The LTIP awards vest at the end of three years subject to the achievement of performance conditions. On the same dates, tax-qualifying options were granted as part of the LTIP awards ('CSOP options') to eligible UK employees.

On 27 June 2018, 31 March 2017, 8 April 2016 and 19 May 2016, 30 June 2015 and 15 June 2015, nil-cost share options were granted to eligible employees based on a maximum of 150% of base salary. The LTIP awards vest at the end of three years subject to the achievement of performance conditions. On the same dates, CSOP options were granted as part of the LTIP awards to eligible UK employees.

Each CSOP option is subject to the same performance targets as apply to the nil-cost option part of the awards. If a CSOP option is exercised at a gain, the number of shares that may be delivered under the above associated nil-cost option under the LTIP will be reduced at exercise by the same value to ensure that the total pre-tax value of the original LTIP award delivered to the participant is not increased by the grant of the CSOP option.

Awards granted on or after 27 June 2018 awards do not include the right to receive a dividend equivalent.

2020 LTIP award criteria

For each eligible employee, 33.3% of the LTIP awards are subject to the following ROE criteria:

Performance condition	Percentage vesting
Less than 20% ROE in the final year of the plan (2022)	0%
20% ROE in the final year of the plan (2022) (threshold performance)	25%
30% ROE in the final year of the plan (2022 (maximum performance)	100%
Between 20% and 30% average ROE over the three performance years	Between the threshold performance and maximum performance on a straight-line basis

28. Share-based payments – Group and Company continued

For each eligible employee, 33.3% of the LTIP awards are subject to the following total shareholder return criteria, being share price growthplus the value of dividend measured over a period of three years from the date of grant. The Group is compared against the FTSE 350 Index.

Performance condition	Percentage vesting
Below median ranking	0%
Median ranking (top 50%) ('threshold performance')	25%
Upper quartile ranking (top 25%) ('maximum performance')	100%
Between top 50% and top 25% ranking	Between the threshold performance and maximum performance on a straight-line basis

For each eligible employee, 33.3% of the LTIP awards are subject to the following FCF performance conditions:

Performance condition	Percentage vesting
Less than £500 million cumulative FCF over the three performance years	0%
£500 million cumulative FCF over the three performance years (threshold performance)	25%
£600 million cumulative FCF over the three performance years (maximum performance)	100%
Between £500 million and £600 million cumulative FCF over the three performance years	Between the threshold performance and maximum performance on a straight-line basis

2019 LTIP award criteria

For each eligible employee, 50% of the LTIP awards are subject to the following ROE criteria:

Performance condition	Percentage vesting
Less than 24% Average ROE over three performance years	0%
24% average ROE over the three performance years (threshold performance)	25%
30% average ROE over the three performance years (maximum performance)	100%
Between 24% and 30% average ROE over the three performance years	Between the threshold performance and maximum performance on a straight-line basis

For each eligible employee, 25% of the LTIP awards are subject to the following total shareholder return criteria, being share price growth plus the value of dividend. The Group is compared against the FTSE 350 Index.

Performance condition	Percentage vesting
Below median ranking	0%
Median ranking (top 50%) ('threshold performance')	25%
Upper quartile ranking (top 25%) ('maximum performance')	100%
Between top 50% and top 25% ranking	Between the threshold performance and maximum performance on a straight-line basis

28. Share-based payments – Group and Company continued

For each eligible employee, 25% of the LTIP awards are subject to the following FCF performance conditions:

Performance condition	Percentage vesting
Less than £715 million cumulative FCF over the three performance years	0%
£715 million cumulative FCF over the three performance years (threshold performance)	25%
£757 million cumulative FCF over the three performance years (maximum performance)	100%
Between £715 million and £757 million cumulative FCF over the three performance years	Between the threshold performance and maximum performance on a straight-line basis

LTIP Awards 2015, 2016, 2017 and 2018 criteria

For each eligible employee, 50% of the LTIP awards are subject to the following underlying basic EPS growth criteria:

Performance condition	Percentage vesting
Less than 10% EPS growth per annum	0%
10% EPS growth per annum over the vesting period ('threshold performance')	25%
20% EPS growth per annum over the vesting period ('maximum performance')	100%
Between 10% and 20% EPS growth per annum over the vesting period	Between the threshold performance and maximum performance on a straight-line basis

For each eligible employee, 25% of the LTIP awards are subject to the following total shareholder return criteria, being share price growth plus the value of dividend. The Group is compared against the FTSE 350 Index.

Performance condition	Percentage vesting
Below median ranking	0%
Median ranking (top 50%) ('threshold performance')	25%
Upper quartile ranking (top 25%) ('maximum performance')	100%
Between top 50% and top 25% ranking	Between the threshold performance and maximum performance on a straight-line basis

LTIP awards 2018

For each eligible employee, 25% of the LTIP awards are subject to the following ROE criteria:

Performance condition	Percentage vesting
Less than 26% average ROE over the three performance years	0%
26% average ROE growth over the three performance years ('threshold performance')	25%
30% average ROE growth over the three performance years ('maximum performance')	100%
Between 26% and 30% average ROE growth over the three performance years	Between the threshold performance and maximum performance on a straight-line basis

28. Share-based payments – Group and Company continued

LTIP awards 2015, 2016 and 2017

For each eligible employee, 25% of the LTIP awards are subject to the following ROE criteria:

Performance condition	Percentage vesting
Less than 20% average ROE over the three performance years	0%
20% average ROE growth over the three performance years (‘threshold performance’)	25%
26% average ROE growth over the three performance years (‘maximum performance’)	100%
Between 20% and 26% average ROE growth over the three performance years	Between the threshold performance and maximum performance on a straight line basis

Restricted share awards

Restricted share awards were made on 25 June 2020 and 10 May 2019. These awards vest on 25 June 2022 and 10 May 2021 respectively, subject to continuity of employment. Awards made on 10 May 2018, 31 March 2017, 19 May 2016 and 15 June 2015 vested on 10 May 2020, 31 March 2019,
19 May 2018 and 11 May 2017 respectively.

Deferred share bonus plan (DSBP)

Up to 50% of the bonus earned by the executive directors is deferred into shares for up to three years via the DSBP, subject to continued employment during the vesting period. DSBP awards were made on 8 April 2020, 26 March 2019 and 27 March 2018. See page 93 of the 2020 Annual Report for details of the bonus delivered in the form of deferred shares for the financial year 2020.

Deferred shares granted on 9 April 2015, 8 April 2016 and 31 March 2017 vested on 9 April 2018, 8 April 2019 and 31 March 2020 respectively.

Buy-out awards

Buy-out share awards were made on 2 January 2018, in respect to compensation of forfeited awards for Paul Cooper as a result of his resignation from his former employer, in connection with Paul Cooper’s resignation the awards which were due to vest in 2020 and 2021 lapsed.

Grant information

The terms and conditions of the grant are as follows:

Name	Method of settlement accounting	Number of instruments	Vesting period	Contractual life of options
Grant date/employees entitled				
Equity settled award – SIP	Equity	81,298	3 years	31 October 2016
Equity settled award – SIP	Equity	90,252	3 years	30 December 2017
Equity settled award – SIP	Equity	16,676	3 years (rolling)	May-June 2017
Equity settled award – LTIP	Equity	1,483,532	3 years	15 June 2018
Equity settled award – LTIP	Equity	32,739	3 years	15 June 2018
Equity settled award – SIP	Equity	55,003	3 years (rolling)	May-June 2018
Equity settled award – LTIP	Equity	1,563,299	3 years	8 April 2019
Equity settled award – LTIP	Equity	176,053	2.9 years	8 April 2019
Equity settled award – SIP	Equity	73,261	3 years (rolling)	April 2019
Equity settled award – DSBP	Equity	44,183	3 years	9 April 2018

28. Share-based payments – Group and Company continued

Name	Method of settlement accounting	Number of instruments	Vesting period	Contractual life of options
Equity settled award – DSBP	Equity	77,739	3 years	8 April 2019
Equity settled award – LTIP	Equity	1,430,117	3 years	31 March 2020
Equity settled award – LTIP	Equity	74,052	3 years	31 March 2020
Equity settled award – SIP	Equity	50,106	3 years (rolling)	May-June 2020
Equity settled award – DSBP	Equity	65,374	3 years	31 March 2020
Equity settled award – LTIP	Equity	1,814,874	3 years	27 June 2021
Equity settled award – SIP	Equity	111,097	3 years rolling	May-June 2021
Equity settled award – DSBP	Equity	70,891	3 years	26 March 2021
Equity settled award – buy out	Equity	49,951	1 year 4 months	30 April 2019
Equity settled award – LTIP	Equity	2,107,612	3 years	22 June 2022
Equity settled award – restricted	Equity	359,934	2 years	10 May 2021
Equity settled award – SIP	Equity	103,981	3 years rolling	May-June 2022
Equity settled award – DSBP	Equity	132,737	3 years	26 March 2022
Equity settled award – LTIP	Equity	5,723,288	3 years	25 June 2023
Equity settled award – restricted	Equity	359,934	2 years	25 June 2022
Equity settled award – SIP	Equity	773,822	3 years rolling	May-June 2023
Equity settled award – DSBP	Equity	148,149	3 years	8 April 2023

The following table shows the weighted average exercise prices (WAEP)/fair values (FV) and number of options movements during the year.

	2020		2019	
	WAEP/FV	**Number of options**	WAEP/FV	Number of options
Outstanding at the beginning of the year	**2.63**	**5,433,806**	2.88	5,177,072
Granted during the year	**0.90**	**6,875,607**	2.24	2,704,265
Forfeited during the year	**1.67**	**(247,733)**	2.68	(1,265,351)
Exercised during the year	**3.27**	**(467,946)**	2.86	(975,199)
Expired during the year	**3.51**	**(651,398)**	2.66	(206,981)
Outstanding at 31 December	**1.47**	**10,942,336**	2.63	5,433,806
Exercisable at 31 December	**2.83**	**2.62**	2.62	677,859

The weighted average price of shares exercised in the year was £0.91 (2019: £2.12). The share options outstanding at 31 December 2020 have a weighted average contractual life of 1.7 years (2019: 1.4 years) and an exercise price in the range of £0.69 to £1.67. The weighted average fair value of options granted during the year was £0.85 (2019: £2.15). The majority of options granted to date are nil-cost options (2019: nil-cost options).

The fair value of equity settled share-based payments has been estimated as at date of grant using the Black-Scholes model. The inputs to the models used to determine the valuations fell within the following ranges:

Grant date	25 June 2020	25 June 2020	May 2020	8 April 2020
Expected life of options (years)	**3**	**2**	**3**	**3**
Share prices at date of grant	**£0.90**	**£0.90**	**£0.82**	**£1.01**
Expected share price volatility (%)	**65.6%**	**N/A**	**N/A**	**N/A**
Risk free interest rate (%)	**(0.1)%**	**N/A**	**N/A**	**N/A**

28. Share-based payments – Group and Company continued

The total expenses recognised for the year arising from share-based payments are as follows:

	2020 £000	2019 £000
Equity settled share-based payment expense spread across vesting period	**1,753**	1,558
Total equity settled share-based payment expense recognised in the statement of comprehensive income	**1,946**	1,437

Please see page 96 of the 2020 Annual Report of the director's remuneration report for further information about directors' share options.

29. Borrowings and facilities

	2020 £000	2019 £000
Senior secured notes net of transaction fees of £10,480,000 (2019: £12,780,000)	**930,575**	897,875
Revolving credit facility net of transaction fees of £2,790,000 (2019: £3,720,000)	**277,552**	230,963
Asset-backed loans net of transaction fees of £4,708,000 (2019: £1,658,000)	**143,985**	84,077
Bank overdrafts	**3,648**	1,386
Other borrowings	**3,247**	3,672
	1,359,007	1,217,973
Total borrowings:		
Amount due for settlement within 12 months	**362,427**	257,500
Amount due for settlement after 12 months	**996,580**	960,473

Senior secured notes

The senior secured notes comprise three publicly issued Euro and Sterling senior notes secured by substantially all of the assets of the Group; £320 million 5.125% fixed-rate notes due September 2024, €400 million floating rate senior secured notes due April 2025 at a coupon of 3.75% over three-month Euribor and €285 million floating rate senior secured notes due March 2026 at a coupon of 3.75% over three-month Euribor. The Euro notes are subject to a zero percent floor on Euribor.

Revolving credit facility

On 26 February 2019, the £285 million revolving credit facility was extended to 2024, with no change to the 2.5% margin.

On 12 August 2020, the Group executed an amendment agreement with its lenders under the revolving credit facility to amend the financial covenants under the facility to reflect the potential impact on the business of COVID-19. The amendments to the financial covenants are for the period from September 2020 up to and including June 2022 and provide suitable headroom based upon the Group's downside projections, including an amendment to the maximum permitted leverage and minimum liquidity, and a move to a more dynamic margin calculation.

Asset-backed securitisation

On 30 April 2019, the Group entered into a £100 million non-recourse committed asset-backed securitisation facility with an advance rate of 55% of 84-month ERC. On the same date, the Group sold £137 million of ERC into AGL Fleetwood Limited, a wholly owned Arrow Global Group subsidiary, and borrowed an initial amount of £75 million non-recourse funding at LIBOR plus 3.1%, under the facility.

29. Borrowings and facilities continued

On 31 July 2019, the Group sold a further £44 million of ERC into AGL Fleetwood Limited and subsequently borrowed an additional £25 million non-recourse funding on the same terms under the facility.

On 31 March 2020, the Group sold a further £30 million of ERC into AGL Fleetwood Limited and on 2 April 2020 borrowed an additional £21 million non-recourse funding on the same terms under the facility. As at 2 April 2020, the amount drawn under the facility was £100 million. The facility had a five-year term comprising an initial two-year revolving period followed by a three-year amortising period with an option to extend the revolving period by one-year subject to lender consent.

During July 2020, the Group entered into further arrangements in connection with the non-recourse facility to mitigate potential balance sheet cash collections impacts of COVID-19. An additional £33 million of 84-month ERC was sold into the structure with no additional borrowings made. In consideration of the additional ERC pledged, the lender agreed to amend certain performance criteria.

During July 2020, a second non-recourse amortising loan of €104,700,000 was fully drawn during the month. The second loan was secured against €356 million of Portuguese 84-month ERC at a margin of 4.25%.

As at 31 December 2020, £299,117,000 of the portfolio investments, set out in note 24, are pledged as collateral for the asset-backed securitisations.

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Senior secured notes £000	Asset-backed loans £000	Revolving credit facility £000	Lease liabilities £000	Deferred and contingent consideration £000	Other borrowings £000	Total liabilities relating to cash flow from financing activity £000
Balance at 31 December 2019	897,875	84,077	230,963	23,504	93,316	5,567	1,335,302
Changes from financing cash flows							
Net proceeds from additional loans	—	—	33,048	—	—	1,639	34,687
Proceeds from issued notes (net of fees)	—	115,135	—	—	—	—	115,135
Redemption of issued notes	—	(52,695)	—	—	—	—	(52,695)
Repayment of interest on issued notes	(38,860)	—	—	—	—	—	(38,860)
Repayment of interest on asset-backed loans	—	(3,909)	—	—	—	—	(3,909)
Payments on finance leases	—	—	—	(5,636)	—	—	(5,636)
Banking facility interest and other fees paid	—	—	(6,439)	—	—	(1,183)	(7,622)
Total changes from financing cash flows	**(38,860)**	**58,531**	**26,609**	**(5,636)**	**—**	**456**	**41,100**
Liability-related							
Interest expense on issued notes	36,448	4,572	—	—	—	—	41,020
Amortisation of capitalised transaction fees	2,200	1,633	930	—	—	239	5,002
Banking facility interest and other fees	—	—	7,155	—	—	(61)	7,094

29. Borrowings and facilities continued

	Senior secured notes £000	Asset-backed loans £000	Revolving credit facility £000	Lease liabilities £000	Deferred and contingent consideration £000	Other borrowings £000	Total liabilities relating to cash flow from financing activity £000
Interest rate swap and hedge costs	—	—	—	—	—	370	370
Other interest including on finance leases	—	—	—	1,107	2,128	774	4,009
Total interest and similar charges	**38,648**	**6,205**	**8,085**	**1,107**	**2,128**	**1,322**	**57,495**
The effect of changes in foreign exchange rates	32,912	(61)	11,895	(774)	2,495	260	46,727
Capitalised transaction fees	—	(4,767)	—	—	—	—	(4,767)
Remeasurement of contingent consideration	—	—	—	—	(5,759)	—	(5,759)
Changes in fair value	—	—	—	—	—	(426)	(426)
Net deferred consideration commitments	—	—	—	—	(60,012)	—	(60,012)
Other changes	—	—	—	—	—	(201)	(201)
Total liability-related changes	**32,912**	**(4,828)**	**11,895**	**(774)**	**(63,276)**	**(367)**	**(24,438)**
Balance at 31 December 2020	**930,575**	**143,985**	**277,552**	**18,201**	**32,168**	**6,978**	**1,409,459**

The tables above and below have been re-presented to show additional detail, and to more easily allow reconciliation of the information to the cash flow statement, income statement and the opening and closing balance sheet.

Other borrowings

	2020 £000	2019 £000
Other borrowings	**3,247**	3,672
Bank overdrafts	**3,648**	1,386
Derivative liability	**83**	509
	6,978	5,567

30. Acquisition of subsidiary undertaking

Current year acquisitions

There were no acquisitions during the year to 31 December 2020.

Prior year acquisition

Drydens Limited (Drydens)

On 8 April 2019, the Group acquired 100% of the share capital of Drydens. Drydens is a provider of legal services, the acquisition of which will broaden the Group’s UK range of servicing capabilities and skills across consumer and commercial litigation, probate and insolvency. The total undiscounted consideration for the acquisition is £11,115,000 including deferred and contingent consideration.

30. Acquisition of subsidiary undertaking continued

Contingent consideration is payable at various times within two years from completion of the transaction upon the satisfaction of three mutually exclusive conditions which are based upon the business achieving certain targets around future volumes and the successful migration of Group accounts. The targets for contingent consideration are not linked to the post-acquisition employment status of the sellers, and is not considered to be a post-employment benefit arrangement with the former owners.

Of the £4,262,000 contingent consideration, the gross undiscounted amounts are made up as follows:

- Up to £2,000,000 is contingent upon the successful migration of Arrow accounts. The payment range could be anywhere between £nil and £2,000,000 with the final amount to be agreed upon in April 2020;
- Up to £2,000,000 is contingent upon the performance of Arrow placed accounts against the jointly agreed business plan. The payment range could be anywhere between £nil and £2,000,000 with the final amount to be agreed upon in April 2021; and
- £1,000,000 is contingent upon winning Proceeds of Crime Act servicing deal from the UK Government before 8 April 2020. If the deal is not won the payment is forfeited.

Effect of the acquisition

The fair values of the identifiable assets acquired and liabilities assumed are as set out in the table below. Acquisition related costs are expensed in the profit or loss in the reporting period:

	Total £000
Property, plant and equipment	954
Intangible assets	688
Deferred tax asset	146
Cash and cash equivalents	15
Trade and other receivables	1,983
Trade and other payables	(723)
Deferred tax liability	(131)
Current tax liability	(277)
Provisions	(59)
Lease liability	(760)
Loan liability	(6,122)
Total identifiable net liabilities	(4,286)
Goodwill on acquisition	14,519
	10,233
Consideration:	
Cash	2,865
Deferred consideration	3,106
Contingent consideration	4,262
	10,233
Cash impact of acquisition in the period:	
Cash consideration	2,865
Cash and cash equivalents acquired	(15)
	2,850

An intangible asset of £688,000 has been recognised at acquisition, being the fair value after appropriate discounting, of expected cash flows arising from existing customer relationships. The gross contractual outstanding amounts of ‘trade and other receivables’ were materially equal to their carrying amount, with no material balances not expected to be collected upon.

Goodwill of £14,519,000 was created as a result of this acquisition. The primary reason for the acquisition was to broaden the Group’s range of servicing capabilities in the UK.

30. Acquisition of subsidiary undertaking continued

In the period from acquisition to 31 December 2019, Drydens contributed income of £3,650,000 and profit after tax contribution of £1,165,000 to the consolidated results for the period. If the acquisition had occurred on 1 January 2019, Group total income would have been higher by an estimated £1,167,000 and profit after tax would have been lower by an estimated £24,000.

31. Notes to the statement of cash flows

	Group		Company	
	2020 £000	As re-presented 2019 £000	2020 £000	2019 £000
(Loss)/profit after tax	**(93,617)**	37,287	**8,330**	11,897
Adjusted for:				
Balance sheet cash collections in the year	**338,872**	442,311	**—**	—
Income from portfolio investments	**(165,089)**	(199,655)	**—**	—
Fair value gains on portfolios	**(4,976)**	(32,397)	**—**	—
Net impairment losses/(gains)	**100,436**	(12,714)	**—**	—
Deferred consideration renegotiations	—	(21,119)	**—**	—
Depreciation and amortisation	**18,910**	18,435	**—**	—
(Profit)/loss on write-off and disposal of property, plant and equipment	**(453)**	1,419	**—**	—
Loss on write-off and disposal of intangible assets	**249**	5,766	**—**	—
Net interest payable	**56,388**	53,103	**—**	—
Lease liability interest	**1,107**	1,395	**—**	—
Foreign exchange losses	**743**	1,018	**—**	—
Equity settled share-based payment expenses	**1,753**	1,437	**—**	—
Tax (credit)/charge	**(21,206)**	14,033	**2,746**	—
Operating cash flows before movement in working capital	**233,117**	310,319	**11,076**	11,897
(Increase)/decrease in other receivables	**(30,551)**	1,740	**(95)**	26
(Increase)/decrease in amounts due to/from subsidiary undertakings	—	—	**(9,980)**	10,858
(Decrease)/increase in trade and other payables	**(44,715)**	12,120	**287**	291
Cash generated by operations	**157,851**	324,179	**1,288**	23,072
Income taxes and overseas taxation paid	**(6,491)**	(14,036)	**—**	—
Net cash flow from operating activities before purchases of portfolio investments	**151,360**	310,143	**1,288**	**23,072**
Purchase of portfolio investments	**(109,850)**	(303,687)	**—**	—
Net cash generated by operating activities	**41,510**	**6,456**	**1,288**	23,072

Included within cash and cash equivalents is £12,902,000 (2019: £26,611,000) of cash which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated securitisation structure awaiting a payment date. The 2019 reconciliation above, has been re-presented to remove these amounts from the movement in other receivables, as in the prior year they were included within this line item, but are now included within cash and cash equivalents.

32. Post balance sheet events

On 12 February 2021, Arrow Global Finance plc issued €75,000,000 senior secured notes maturing 2026 at an issue price of 99%. This tap issue of the existing €285,000,000 senior secured floating rate bonds due 2026 means that all terms and conditions of the new bonds are identical to those of the existing 2026 bonds, except for the issue price. The proceeds from the transaction of €74,250,000 less transaction fees and expenses will be used to partially repay drawings under the Group's revolving credit facility.

Independent auditor's report to the members of Arrow Global Group plc

1. Our opinion is unmodified

We have audited the financial statements of Arrow Global Group plc ("the Company") for the year ended 31 December 2019 which comprise the consolidated statement of profit or loss & other comprehensive income, consolidated & parent company statement of financial position, consolidated & parent company statement of changes in equity, consolidated & parent company statement of cash flows, and the related notes, including the accounting policies in note 3.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 2 July 2014. The period of total uninterrupted engagement is for the 6 financial years ended 31 December 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole		**£3.0m (2018:£3.3m)** 5.0% (2018: 4.4%) of normalised profit before tax
Coverage		100% (2018:100%) of group profit before tax
Key audit matters vs 2018		
Event driven	The impact of uncertainties due to the UK exiting the European Union on our audit	◀▶
Recurring risks	Estimation of future cash collections from portfolio investments	◀▶
	Fair value of intangible assets acquired as part of business combinations	◀▶
	Recoverability of parent company's investment in subsidiaries and intra-group debtor balance due	◀▶

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not

due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Key audit matter	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit *Refer to page 35 (principal risks), page 39 (viability statement), page 76 (Risk Committee Report) of the 2019 Annual Report.*	**Unprecedented levels of uncertainty:** All audits assess and challenge the reasonableness of estimates, in particular as described in 'Estimation of future cash collections from portfolio investments' below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the Group's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the Directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. Brexit is one of the most significant economic events for the UK and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: • **Our Brexit knowledge:** We considered the directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks; • **Sensitivity analysis:** When addressing 'Estimation of future cash collections from portfolio investments' and other areas that depend on forecasts, we compared the Directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty; • **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on estimation of future cash collections from portfolio investments we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks; **Our results** • As reported under 'Estimation of future cash collections from portfolio investments', we found the resulting estimates and related disclosures of the impact of uncertainties due to the UK exiting the European Union and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Key audit matter	The risk	Our response
Estimation of future cash collections from portfolio investments (£1,163.6 million; 2018: £1,087.0 million) *Refer to page 70 (Audit Committee Report), page 118 (accounting policy) and page 145 (financial disclosures) of the 2019 Annual Report.*	**Forecast based valuation:** The Group's estimate of the remaining future cash collections (ERCs) from portfolio investments is the key variable in determining the portfolio carrying amount and any subsequent revenue adjustments. Portfolio investments comprise of amortised cost portfolios, fair value portfolios and real estate owned inventories. The Group uses cash flow forecasting models to calculate an initial estimate of future collections. The assumptions used in the models include the value, probability and timing of ERCs for each type of asset class within a portfolio or at a portfolio level. These estimates are subject to ongoing review by management to assess reasonableness, comparing observed performance against previous forecasts. Given the diverse nature of the Group's Portfolio Investments, estimation of future cash collections for more bespoke assets involves a greater degree of management judgement. Dependent on the level of complexity of the asset, management use various forecasting models to derive the ERCs. The ERCs are most sensitive to management's strategy in managing the portfolios (e.g. changes in collection policies or use of specialist collectors). Due to the level of subjectivity inherent in the assumptions used in the cash flow forecasting models this is a key judgement area for our audit. The effect of these matters is that, as part of our risk assessment, we determined that estimation of future cash collections from Portfolio Investments has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	Our procedures included: • **Controls design:** We assessed the design, implementation and operating effectiveness of controls over data used in the cash flow forecasting models including monitoring of debt servicer collections, reconciliations of system cash collected to actual receipts, and general IT controls over the collection systems driving the estimated future cash flows; • **Governance controls:** We assessed the design and implementation of approval controls such as the portfolio review committee that cover the outputs of the models and manual adjustments to inform the extent of our substantive testing. • **Methodology implementation:** We assessed the methodology and implementation of the cash flow forecasting models used in valuing the portfolio investments, incorporating our own IT, modelling and valuation specialists to consider the appropriateness of the most significant models, review model code and challenge certain specific inputs into the forecasting models; • **Critical assessment of cash flows:** Informed by our assessment of the controls and models noted above, we assessed the modelled cash flows by portfolio to identify those portfolios where more judgement may have been exercised (for example due to changes in approach by management to managing the portfolios) and/or where we consider greater risk may exist (for example due to under/over-performance against historic forecasts). Taking into account these risk factors and our cumulative audit experience, we undertook a risk based selection process to critically assess the cash flow forecasts and any manual adjustments made by the Group with reference to actual historic collections and our understanding of the Group; and • **Assessing transparency:** We critically assessed the adequacy of the disclosures regarding the degree of estimation uncertainty involved in

Key audit matter	The risk	Our response
		arriving at the valuation and the accounting judgements made in determining the measurement basis and valuation. **Our results** • We found the resulting forecast based valuation to be acceptable (2018 result: acceptable).
Fair value of intangible assets acquired as part of business combinations (£0.7 million; 2018: £1.9 million) *Refer to page 70 (Audit Committee Report), page 124 (accounting policy) and page 165 (financial disclosures) of the 2019 Annual Report.*	**Forecast based valuation:** On 8 April 2019, the Group acquired Drydens Limited in the UK for £10.2m, with the assets and liabilities purchased accounted for at fair value at the date of acquisition. The Group prepared the acquisition balance sheets based on its estimate of the fair value of assets and liabilities acquired. In particular, the Group prepared a discounted cash flow model to arrive at its estimates of the acquired intangible assets including customer contracts. This required the Group to exercise judgement in determining the expected cash flows from the assets and the discount rates to be applied.	Our procedures included: • **Accounting analysis:** We assessed the Group's accounting policy against the requirements of the relevant accounting standard including the acquisition date and the recognition of intangible assets; • **Our sector experience:** We challenged the completeness of the acquired net assets and associated assumptions with reference to our business understanding of the acquired entity and testing of the Directors' assessments. We challenged the assumptions including value, probability and timing of cash flows, made in calculating the fair value assigned to intangibles with reference to the business plan, existing customer contracts and actual performance achieved; • **Sensitivity analysis:** We performed sensitivity analysis on the Group's key assumptions being the forecast future cash flows and discount rate applied to help us assess their reasonableness and identify areas of potential additional focus including any management bias in their judgement; and • **Assessing transparency:** We assessed the adequacy of the Group's disclosures about the degree of estimation and judgement involved in arriving at the fair value. **Our results** • We found the fair value of the acquired intangible assets to be acceptable (2018 result: acceptable).

Key audit matter	The risk	Our response
Recoverability of parent company's investment in subsidiaries and intra-group debtor balance due from Group entities (Investment in subsidiary £307.5 million; 2018: £307.5 million) (Intra-group debtors £212.5 million; 2018: £222.3 million) **Parent only** *Refer to page 70 (Audit Committee Report), page 117 (accounting policy) and page 141 (financial disclosures) of the 2019 Annual Report.*	**Low risk, high value:** The carrying amount of the parent company's investment in subsidiaries and intra-group debtor balance due from Group entities represents 100% (2018: 100%) of the company's total assets. Their recoverability does not contain an inherent high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures included: • **Test of detail:** We compared the carrying amount of the investments, representing 100% (2018: 100%) of the total investment balance, with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making; • We risk assessed 100% of Group debtors to identify, with reference to the relevant debtors' draft balance sheet, whether they have a positive net asset value and therefore coverage of the debt owed, as well as assessing whether those debtor companies have historically been profit-making; • **Assessing subsidiary audits:** We relied upon the work we performed on those subsidiaries and considered the results of that work, on those subsidiaries profits and net assets; and • **Our sector experience:** For the investments where the carrying amount exceeded the net asset value, we compared the carrying amount of the investment with the expected cash flows of the underlying subsidiaries. **Our results** • We found the parent company's assessment of the recoverability of the their investment in subsidiaries and intra-group debtor balances to be acceptable (2018 result: acceptable).

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £3.0m (2018: £3.3m), determined with reference to a benchmark of profit before tax normalised to provide a more stable measure year on year by excluding £1.5m acquisition costs and £6.9m in relation to the expansion of the fund management business (2018: profit before tax normalised to exclude £14.7m of costs in relation to acquisitions and £18.7m in relation to the Group's bond finance), of which it represents 5.0% (2018: 4.4%).

Materiality for the parent company financial statements as a whole was set at £1.9m (2018: £1.6m), determined with reference to a benchmark of company total assets, of which it represents 0.4% (2018: 0.4%).

We agreed to report to the audit committee any corrected or uncorrected identified misstatements for the Group financial statements exceeding £150,000 (2018: £165,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

How we scoped our audit

Of the group's 3 (2018: 10) reporting components, we subjected 3 (2018: 6) to full scope audits for group purposes.

The components within the scope of our work accounted for the percentages illustrated opposite.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back.

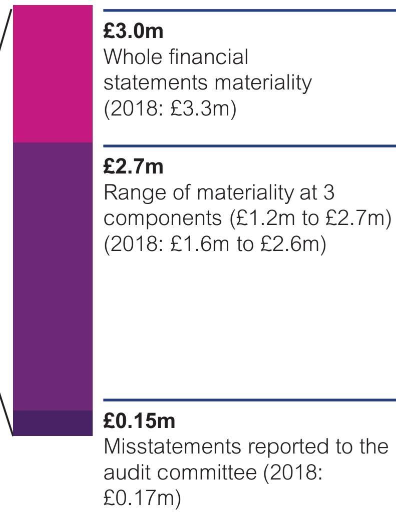
The Group team approved the component materialities, which ranged from £1.2m to £2.7m (2018: £1.6m to £2.6m), having regard to the mix of size and risk profile of the Group across the components.

The work on the overseas components was performed by overseas component auditors. The audit of the UK component (including the audit of the parent company), was performed by the Group team.

The Group team visited the 3 (2018: 3) key overseas locations, being Portugal, Italy and the Netherlands (2018: Portugal, Italy and the Netherlands) to assess the audit risk and strategy. Telephone conference meetings were also held with the overseas component auditors throughout the audit. During these visits and meetings, the findings reported to the Group team were discussed in more detail, key audit working papers were reviewed, and any further work required by the Group team to be performed by the component auditor was instructed.

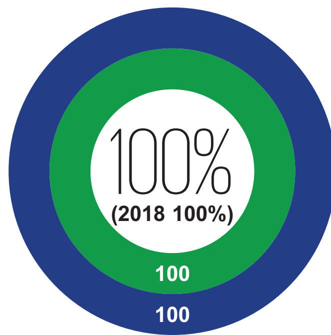
Normalised profit before tax
£59.7m (2018: £73.4m)

Group Materiality
£3.0m (2018: £3.3m)



- Normalised profit before tax
- Group materiality

Group revenue



Group profit before tax

Group total assets

- Full scope for group audit purposes 2019
- Full scope for group audit purposes 2018

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's and Company's available financial resources over this period was significant reduction of cash collections due to macroeconomic slow down impacting the Group's ability to comply with financing covenants.

As this was a risk that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise.

Based on this work, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in Note 3 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 102 of the 2019 Annual Report is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the statement of viability, on page 39 of the 2019 Annual Report, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal risks and uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the statement of viability of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the statement of viability. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 103 of the 2019 Annual Report, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: anti-bribery, employment law, certain aspects of company legislation and customer conduct, recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit,

there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

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.

Alexander Simpson (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One St Peter's Square
Manchester
M2 3AE

12 March 2020

Financial statements

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Income from portfolio investments at amortised cost	24	**199,094**	193,932
Fair value gain on portfolio investments at FVTPL	24	**32,397**	24,745
Impairment gains on portfolio investments	24	**12,714**	50,727
Income from real estate inventories	24	**561**	—
Total income from portfolio investments		**244,766**	269,404
Income from asset management and servicing	6	**94,360**	91,661
Profit from sale of property		**—**	731
Other income		**392**	—
Total income		**339,518**	361,796
Operating expenses:			
Collection activity costs	10	**(109,798)**	(119,041)
Other operating expenses	10	**(123,902)**	(135,972)
Total operating expenses		**(233,700)**	(255,013)
Operating profit		**105,818**	106,783
Finance income	7	**61**	76
Finance costs	8	**(54,559)**	(66,868)
Profit before tax		**51,320**	39,991
Taxation charge on ordinary activities	11	**(14,033)**	(10,022)
Profit after tax		**37,287**	29,969
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
FX translation difference arising on revaluation of foreign operations		**(7,077)**	1,370
Movement on hedging reserve		**161**	(241)
Total comprehensive income		**30,371**	31,098
Profit after tax attributable to:			
Owners of the Company		**35,223**	29,969
Non-controlling interest		**2,064**	—
		37,287	29,969
Comprehensive income attributable to:			
Owners of the Company		**28,307**	31,098
Non-controlling interest		**2,064**	—
		30,371	31,098
Basic EPS (£)	12	**0.20**	0.17
Diluted EPS (£)	12	**0.19**	0.17

The parent company's profit after tax for the year was £11,897,000 (2018: £154,298,000).

Consolidated and parent company statement of financial position

As at 31 December 2019

	Note	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Assets					
Cash and cash equivalents		**88,765**	92,001	**18**	8
Trade and other receivables	16	**75,094**	94,206	**212,717**	222,579
Portfolio investments – amortised cost	24	**932,199**	869,056	**—**	—
Portfolio investments – FVTPL	24	**169,799**	217,974	**—**	—
Portfolio investments – real estate inventories	24	**61,626**	—	**—**	—
Property, plant and equipment	15	**24,521**	7,761	**—**	—
Intangible assets	14	**38,159**	44,264	**—**	—
Deferred tax asset	11	**10,759**	8,113	**—**	—
Investment in subsidiary undertakings	23	**—**	—	**307,500**	307,500
Goodwill	13	**267,700**	262,679	**—**	—
Total assets		**1,668,622**	1,596,054	**520,235**	530,087
Liabilities					
Bank overdrafts	29	**1,386**	2,696	**—**	—
Revolving credit facility	29	**230,963**	242,121	**—**	—
Derivative liability	26	**509**	502	**—**	—
Trade and other payables	17	**223,001**	197,657	**2,007**	2,251
Current tax liability		**7,645**	7,915	**697**	697
Other borrowings	29	**3,672**	11,635	**—**	—
Asset-backed loans	29	**84,077**	—	**—**	—
Senior secured notes	29	**897,875**	926,340	**—**	—
Deferred tax liability	11	**17,637**	14,930	**120**	—
Total liabilities		**1,466,765**	1,403,796	**2,824**	2,948
Equity					
Share capital	19	**1,769**	1,763	**1,769**	1,763
Share premium	19	**347,436**	347,436	**347,436**	347,436
Retained earnings		**129,240**	116,589	**174,012**	183,740
Hedging reserve		**(423)**	(584)	**—**	—
Other reserves		**(280,630)**	(273,547)	**(5,806)**	(5,800)
Total equity attributable to shareholders		**197,392**	191,657	**517,411**	527,139
Non-controlling interest		**4,465**	601	**—**	—
Total equity		**201,857**	192,258	**517,411**	527,139
Total equity and liabilities		**1,668,622**	1,596,054	**520,235**	530,087

Note – the balance sheet has been re-presented on a reducing liquidity basis and portfolio investments have been split out into their constituent parts. Prior periods have been re-presented accordingly on this basis.

Approved by the board of directors on 12 March 2020, signed and authorised for issue on its behalf by:

Matt Hotson
Group chief financial officer

Lee Rochford
Group chief executive officer

Company number: 08649661

Consolidated and parent company statement of changes in equity

For the year ended 31 December 2019

Group	Ordinary shares £000	Share premium £000	Retained earnings £000	Hedging reserve £000	Own share reserve[1] £000	Translation reserve[1] £000	Merger reserve[1] £000	Total £000	Non-controlling interest £000	Total £000
Balance at 1 January 2018	1,753	347,436	104,511	(343)	(3,291)	7,844	(276,961)	180,949	173	181,122
Profit after tax	—	—	29,969	—	—	—	—	29,969	—	29,969
Exchange differences	—	—	—	—	—	2,572	—	2,572	—	2,572
Recycled to profit after tax	—	—	—	—	—	(1,202)	—	(1,202)	—	(1,202)
Net fair value losses – cash flow hedges	—	—	—	(291)	—	—	—	(291)	—	(291)
Tax on hedged items	—	—	—	50	—	—	—	50	—	50
Total comprehensive income for the year	—	—	29,969	(241)	—	1,370	—	31,098	—	31,098
Share-based payments net of tax	—	—	3,267	—	—	—	—	3,267	—	3,267
Shares issued	10	—	—	—	—	—	—	10	—	10
Repurchase of own shares	—	—	—	—	(2,509)	—	—	(2,509)	—	(2,509)
Dividend paid	—	—	(21,158)	—	—	—	—	(21,158)	—	(21,158)
Dividend paid by NCI	—	—	—	—	—	—	—	—	(43)	(43)
Non-controlling interest on acquisition	—	—	—	—	—	—	—	—	471	471
Balance at 31 December 2018	1,763	347,436	116,589	(584)	(5,800)	9,214	(276,961)	191,657	601	192,258
Impact of adopting IFRS 16	—	—	(947)	—	—	—	—	(947)	—	(947)
Balance post IFRS adjustments at 1 January 2019	1,763	347,436	115,642	(584)	(5,800)	9,214	(276,961)	190,710	601	191,311
Profit after tax	—	—	**35,223**	—	—	—	—	**35,223**	**2,064**	**37,287**
Exchange differences	—	—	—	—	—	**(7,077)**	—	**(7,077)**	—	**(7,077)**
Recycled to profit after tax	—	—	—	**7**	—	—	—	**7**	—	**7**
Net fair value gains – cash flow hedges	—	—	—	**187**	—	—	—	**187**	—	**187**
Tax on hedged items	—	—	—	**(33)**	—	—	—	**(33)**	—	**(33)**
Total comprehensive income for the year	—	—	**35,223**	**161**	—	**(7,077)**	—	**28,307**	**2,064**	**30,371**
Shares issued	**6**	—	—	—	—	—	—	**6**	—	**6**
Repurchase of own shares	—	—	—	—	**(6)**	—	—	**(6)**	—	**(6)**
Share-based payments net of tax	—	—	**1,437**	—	—	—	—	**1,437**	—	**1,437**
Dividend paid	—	—	**(23,062)**	—	—	—	—	**(23,062)**	—	**(23,062)**
Non-controlling interest on acquisition	—	—	—	—	—	—	—	—	**1,800**	**1,800**
Balance at 31 December 2019	**1,769**	**347,436**	**129,240**	**(423)**	**(5,806)**	**2,137**	**(276,961)**	**197,392**	**4,465**	**201,857**

1. Other reserves total £280,529,000 deficit (2018: £273,547,000 deficit).

Consolidated and parent company statement of changes in equity continued
For the year ended 31 December 2019

Company	Ordinary shares £000	Share premium £000	Retained earnings £000	Own share reserve £000	Total £000
Balance at 1 January 2018	1,753	347,436	47,333	(3,291)	393,231
Profit after tax	—	—	154,298	—	154,298
Total comprehensive income for the year	—	—	154,298	—	154,298
Shares issued	10	—	—	—	10
Repurchase of own shares	—	—	—	(2,509)	(2,509)
Share-based payments	—	—	3,267	—	3,267
Dividend paid	—	—	(21,158)	—	(21,158)
Balance at 31 December 2018	1,763	347,436	183,740	(5,800)	527,139
Impact of adopting IFRS 16	—	—	—	—	—
Balance post IFRS adjustments at 1 January 2019	1,763	347,436	183,740	(5,800)	527,139
Profit after tax	**—**	**—**	**11,897**	**—**	**11,897**
Total comprehensive income for the year	**—**	**—**	**11,897**	**—**	**11,897**
Shares issued	**6**	**—**	**—**	**—**	**6**
Repurchase of own shares	**—**	**—**	**—**	**(6)**	**(6)**
Share-based payments	**—**	**—**	**1,437**	**—**	**1,437**
Dividend paid	**—**	**—**	**(23,062)**	**—**	**(23,062)**
Balance at 31 December 2019	**1,769**	**347,436**	**174,012**	**(5,806)**	**517,411**

Consolidated and parent company statement of cash flows
For the year ended 31 December 2019

	Note	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Net cash generated by/(used in) operating activities	31	**20,516**	(19,021)	**23,072**	23,656
Investing activities					
Purchase of property, plant and equipment	15	**(1,269)**	(2,367)	**—**	—
Purchase of intangible assets	14	**(11,830)**	(11,077)	**—**	—
Proceeds from disposal of intangible assets and property, plant and equipment		**18**	3,759	**—**	—
Acquisition of subsidiaries, net of cash acquired	30	**(2,850)**	(57,022)	**—**	—
Movements in deferred consideration related to subsidiary acquisitions		**(12,004)**	(11,612)	**—**	—
Net cash used in investing activities		**(27,935)**	(78,319)	**—**	—
Financing activities					
Movements in other banking facilities		**(7,499)**	90,621	**—**	—
Proceeds from senior notes (net of fees)		**—**	345,847	**—**	—
Redemption of senior notes		**—**	(203,467)	**—**	—
Early repayment of bond		**—**	(13,623)	**—**	—
Proceeds from ABS issuing		**85,604**	—	**—**	—
Increase in non-controlling interest on acquisition		**1,800**	471	**—**	—
Repayment of interest on senior notes		**(35,870)**	(36,522)	**—**	—
Repurchase of own shares		**(6)**	(2,509)	**(6)**	(2,509)
Issue of share capital		**6**	10	**6**	10
Bank interest received	7	**61**	76	**—**	—
Bank and other similar fees paid		**(8,452)**	(6,248)	**—**	—
Finance lease payments	21	**(5,061)**	—	**—**	—
Payment of dividends		**(23,062)**	(21,201)	**(23,062)**	(21,158)
Payment of deferred interest		**—**	(257)	**—**	—
Net cash flow generated by/(used in) financing activities		**7,521**	153,198	**(23,062)**	(23,657)
Net increase/(decrease) in cash and cash equivalents		**102**	55,858	**10**	(1)
Cash and cash equivalents at beginning of year		**92,001**	35,943	**8**	9
Effect of exchange rates on cash and cash equivalents		**(3,338)**	200	**—**	—
Cash and cash equivalents at end of year		**88,765**	92,001	**18**	8

Notes to the Financial Statements

1. General information

Arrow Global Group Plc is a company incorporated in England and Wales and is the ultimate parent company of the Group. The address of the registered office is presented on the inside back cover. The financial statements are presented in Pounds Sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand except when otherwise indicated.

The Company's subsidiaries, both direct and indirect, at 31 December 2019 are listed in note 23.

The Group's principal activity is to identify, acquire and manage secured and unsecured defaulted and non-core loan portfolios and real estate from, and on behalf of financial institutions such as banks, institutional investors and credit card companies.

The Group's and the Company's financial statements for the year ended 31 December 2019 have been prepared in accordance with IFRS as adopted for use in the EU, and therefore comply with Article 4 of the EU IFRS Regulation. The accounting policies have been applied consistently in the current and prior periods, except for the new standards discussed in note 2.

As permitted by section 408 of the Companies Act 2006, a separate income statement and related notes of the Company have not been presented in this annual report and accounts.

2. Accounting standards

New standards

The following new standards and interpretations are mandatory for the year beginning 1 January 2019:

- IFRS 16 Leases;
- IFRIC 23 Uncertainty over Income Tax Treatments;
- Prepayment Features with Negative Compensation (Amendments to IFRS 9);
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28);
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19);
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards; and
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.

The Group also chose to early adopt the 'Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7' in the period.

During 2019, these new standards and interpretations had an insignificant effect on the consolidated financial statements, apart from IFRS 16 which is discussed in note 2.1.

2.1 IFRS 16 'Leases'

IFRS 16 replaces the previous standard IAS 17 'Leases', bringing a number of leases on balance sheet, which were previously off-balance sheet and accounted for as operating leases under IAS 17.

As lessee, under IFRS 16, in respect of leased properties previously accounted for as operating leases the Group now recognises a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate. Lease payments are allocated between the liability and finance cost.

The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Payments associated with leases with a lease term of twelve months or less and leases of low-value assets are recognised as an expense in profit or loss on a straight-line basis.

The Group is not required to restate comparatives on the initial adoption of IFRS 16, and has applied the modified retrospective approach. The Group has applied exemptions where appropriate for short-term leases of

2. Accounting standards continued

twelve months or less and low value assets to be expensed and has also applied 'grandfathering' to all IAS 17 judgements previously made, including lease terms. The incremental borrowing rates used to measure lease liabilities at initial application ranged between 4.2% and 7.2%, with a weighted average of 5.8%.

Transition to this new standard has led to a one-off opening 2019 reserves reduction of £0.9 million, a right-of-use asset disclosed in property, plant and equipment of £23.7 million and a lease liability of £27.3 million and a release of lease accruals of £2.6 million, both of which are classified in trade and other payables.

2.2 Standards issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements as they do not have a material effect on the Group's financial statements.

The following amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of a Business (Amendments to IFRS 3); and
- IFRS 17 Insurance Contracts.

3. Significant accounting policies

Basis of preparation and consolidation

The financial statements have been prepared in accordance with IFRS adopted by the European Union and the Group financial statements also comply with EU IAS Regulation.

The financial statements of the Group have been prepared under the historical cost convention other than the fair value of derivative contracts and certain portfolio investments and the amortised cost accounting for other financial assets and liabilities.

The Group has elected to present the statement of financial position on a liquidity basis. Assets and liabilities have been presented in order of liquidity as this method of presentation is more relevant to the sector which the Group operates within.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognised in profit or loss.

Contingent consideration

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

3. Significant accounting policies continued

Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December 2019 and the comparative period.

'Subsidiaries' are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Also see the accounting policy 'shares held in an employee benefit trust' (EBT).

Securitisation vehicles

Securitisation vehicles in which the Group holds an economic interest are usually operated according to predetermined criteria that are part of the initial design of the vehicles. The Group is exposed to variability of returns from the vehicles through its holding of various securities in the vehicles.

Outside the day-to-day servicing of the receivables (which may be carried out by the Group under a servicing contract), key decisions are usually required only when the intent of the participants regarding the design of the economic structure or the strategy for the collection of the underlying assets changes.

In assessing whether it has control, the Group considers whether it manages the key decisions that most significantly affect these vehicles' returns, alongside its total variability related to its economic interests in the vehicles. As a result, the Group has concluded that it controls some of these vehicles, but not all (for more information on consolidated vehicles, see Note 27).

Investment funds

The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the Fund (comprising any carried interests and expected management fees) and the investors' rights to remove the Fund manager. For all funds managed by the Group, the investors are able to vote by simple majority to remove the Group as fund manager without cause.

Given the low number of investors who are required to act together to remove the Group as Fund manager without cause, despite the Group's aggregate economic interest is some cases being above 30% (depending on which items are included/excluded), the Group has concluded that it acts as agent for the investors in all cases, and therefore has not consolidated these funds.

For further disclosure in respect of unconsolidated securitisation vehicles and investment funds in which the Group has an interest or for which it is a sponsor, see Note 27.

3. Significant accounting policies continued

i. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

ii. Transactions eliminated upon consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Going concern

The directors have undertaken a thorough review of forecast cash flow models and scenarios for a period in excess of 12 months from the date of approval of these accounts. These forecasts have been subject to stress testing, and downside scenarios have been considered including several hard-Brexit scenarios. This is set out in more detail in the statement of viability.

In scenarios considered to be reasonable by management, as well as in a severe stress situation, after taking management actions as required, the Group maintains sufficient cash and banking covenant headroom to continue as a going concern.

Following this review, and in the light of current cash availability, economic conditions and information available about future risks and uncertainties, the directors have concluded that it is appropriate to prepare the Group financial statements on a going concern basis.

Foreign Currency

i. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the spot exchange rates at the date of the transactions. The functional currency of the Group is pounds sterling, which is also the presentational currency of the Group.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the carrying amount in the foreign currency, translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss.

ii. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into sterling at the spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into sterling at the monthly average exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the foreign currency translation reserve (translation reserve).

3. Significant accounting policies continued

When a foreign operation is disposed of in such a way that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation whilst still retaining control, then the relevant proportion of the cumulative amount is reattributed to NCI.

Interest

i. Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. This is the case for all the Group's portfolio investments held at amortised cost, recognised since the introduction of IFRS 9.

Additionally, for such assets, the future cash flows are forecast across the next 84 months following the balance sheet date. This is the point by which substantially all of the cash flows will have been received from a normal portfolio investment, and the point at which the Group is comfortable in forecasting to.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability, such as legal and due diligence fees.

ii. Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation, using the effective interest method, of any difference between that initial amount and the expected cash flows and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance. However, for amortised cost portfolio assets the concept of a separable expected credit loss allowance is not applied, because due to the nature of the portfolio assets, expected cash flows are forecast including an estimate of expected credit losses, including multiple economic scenarios.

iii. Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date on which amortisation of the hedge adjustment begins. For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

3. Significant accounting policies continued

For financial assets that were credit-impaired on initial recognition, which includes all of the Group's portfolio investments held at amortised cost, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in fair value gains on portfolio investments at FVTPL.

Fair value gains on portfolio investments at FVTPL

Fair value gains on portfolio investments at FVTPL represents all of the income and expenses relating to the Group's portfolio investments which are classified as FVTPL. The line item includes fair value changes, interest and dividends.

Dividend income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in fair value gains on portfolio investments at FVTPL or other income based on the underlying classification of the equity investment.

Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

i. Group acting as a leasee

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into (or changed) on, or after 1 January 2019.

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the shorter of its useful economic life and the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

3. Significant accounting policies continued

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset. The adjustment is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities in 'trade and other payables' in the statement of financial position.

ii. Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

iii. Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset.

The Group did not have any finance leases under IAS 17.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

iv. Group acting as a lessor

None of the arrangements which the Group has entered into have been determined to constitute the Group acting as a lessor under the definitions of IFRS 16.

3. Significant accounting policies continued

Taxation

i. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and has recognised the related expenses in 'other expenses'.

ii. Current tax

Current tax comprises the expected tax payable or receivable on the taxable profit or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

iii. Deferred tax asset

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Group.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if there is any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

3. Significant accounting policies continued

Financial assets and financial liabilities

i. Recognition and initial measurement

The Group initially recognises portfolio investments, debt securities issued and other financial liabilities on the date on which they are acquired. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price.

ii. Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. No such elections have been made by the Group.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or as at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. No such designations have been made by the Group.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

3. Significant accounting policies continued

- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Group's portfolio investments are comprised of various types of underlying credit positions. These investments are held by the Group for the primary purpose of collecting the underlying cash flows to the fullest extent possible. Sales of such portfolio investments are not a common occurrence and are not part of management's strategy for such investments when they are purchased.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Equity and similar instruments have contractual cash flows that do not meet the SPPI criterion. Accordingly, all such financial assets are measured at FVTPL unless the FVOCI option is selected.

Contractually linked instruments

The Group has some investments in securitisations that are considered contractually linked instruments. Contractually linked instruments each have a specified subordination ranking that determines the order in which any cash flows generated by the pool of underlying investments are allocated to the instruments. Such an instrument meets the SPPI criterion only if all of the following conditions are met:

- the contractual terms of the instrument itself give rise to cash flows that are SPPI without looking through to the underlying pool of financial instruments;
- the underlying pool of financial instruments (i) contains one or more instruments that give rise to cash flows that are SPPI; and (ii) may also contain instruments, such as derivatives, that reduce the cash flow variability of the instruments under (i) and the combined cash flows (of the instruments under (i) and (ii)) give rise to cash flows that are SPPI; or align the cash flows of the contractually linked instruments with the cash flows of the pool of underlying instruments under (i) arising as a result of differences in whether interest rates are fixed or floating or the currency or timing of cash flows; and
- the exposure to credit risk inherent in the contractually linked instruments is equal to or less than the exposure to credit risk of the underlying pool of financial instruments.

3. Significant accounting policies continued

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

i. Modifications of financial assets and financial liabilities

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset. The gain or loss is presented as interest income calculated using the effective interest rate method.

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is

3. Significant accounting policies continued

recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as a derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

ii. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS Standards, or for gains and losses arising from a group of similar transactions such as in the Group’s trading activity.

iii. Fair value measurement

‘Fair value’ is 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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as ‘active’ if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

iv. Impairment

The Group recognises loss allowances for ECL on financial assets that are debt instruments, and that are not measured at FVTPL. No impairment loss is recognised on equity investments. The Group has not taken the low credit risk exemption for any of its financial assets.

3. Significant accounting policies continued

The Group measures loss allowances at an amount equal to lifetime ECL, except for financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition (excluding credit-impaired assets), for which they are measured as 12-month ECL.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognised are referred to as ‘Stage 1 financial instruments’. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognised but that are not credit-impaired are referred to as ‘Stage 2 financial instruments’. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as ‘Stage 3 financial instruments’.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date, except POCI financial assets: as the difference between the gross carrying amount and the present value of estimated future cash flows; or
- POCI financial assets: the ECL is incorporated into the estimated future cash flows, therefore it is not possible to separate this from a ‘gross carrying amount’ of these assets. As such, although ECL is incorporated into the carrying amount, a separate loss allowance is not held for POCI financial assets. The only material assets in this category are the portfolio investments held at amortised cost.

When discounting future cash flows, the following discount rates are used:

- financial assets other than purchased or originated credit-impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof;
- POCI assets: a credit-adjusted effective interest rate; or
- lease receivables: the discount rate used in measuring the lease receivable.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; or
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

3. Significant accounting policies continued

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past-due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

POCI financial assets

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective interest rate on initial recognition. Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

Designation at fair value through profit or loss

The Group has not designated any financial assets or liabilities as FVTPL in either the current or previous periods.

Cash and cash equivalents

'Cash and cash equivalents' include notes and coins on hand and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Derivatives held for risk management purposes and hedge accounting

All derivatives are measured at fair value in the statement of financial position. The Group designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship.

The Group makes an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80–125%. For a cash flow hedge of a forecast transaction, the Group makes an assessment of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Other assets

No ECL has been recognised for intercompany loans, cash and cash equivalents or trade and other receivables, on the basis that the ECL on such items is deemed to be immaterial.

3. Significant accounting policies continued

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in the hedging reserve is reclassified from OCI to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and OCI.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a CCP by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated. If the hedged cash flows are no longer expected to occur, then the Group immediately reclassifies the amount in the hedging reserve from OCI to profit or loss. For terminated hedging relationships, if the hedged cash flows are still expected to occur, then the amount accumulated in the hedging reserve is not reclassified until the hedged cash flows affect profit or loss; if the hedged cash flows are expected to affect profit or loss in multiple reporting periods, then the Group reclassifies the amount in the hedging reserve from OCI to profit or loss on a straight-line basis.

Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised within other income in profit or loss.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

iii. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property and equipment for the current and comparative periods are as follows:

Furniture	five years
Computer equipment	three years
Leasehold improvements	five years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets and goodwill

i. Software licences and IT platforms

Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.

3. Significant accounting policies continued

Expenditure on internally developed software, such as IT platforms, is recognised as an asset when the Group is able to demonstrate that the product is technically and commercially feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and that it can reliably measure the costs to complete the development.

The capitalised costs of internally developed software include all costs directly attributable to developing the software plus capitalised borrowing costs and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as it is incurred.

Software, including IT platforms, is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is three to ten years. Amortisation is disclosed within other expenses within the statement of profit and loss.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

ii. Customer intangibles

When the Group acquires businesses which have material ongoing customer relationships, whether they are contractual or not, the principles of IFRS 3 dictate that the fair value of such customer relationships must be estimated and recognised on the balance sheet at the acquisition date. The impact of this is to effectively reduce the goodwill recognised on acquisition.

Subsequent to the initial recognition of such assets, they are amortised over the expected life of the customer relationships with the Group. This amortisation is recognised within operating expenses.

The useful lives and carrying values of customer intangibles are reviewed at each reporting date and adjusted if appropriate.

iii. Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future post-tax cash flows, discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The Group's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

3. Significant accounting policies continued

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds net of any transaction costs incurred. Borrowings are stated subsequently at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of profit or loss and other comprehensive income over the expected life of the borrowings using the EIR. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will be required to settle that obligation with an outflow of economic resources. Provisions are measured at the directors' best estimate of the consideration required to settle that obligation at the date of the consolidated statement of financial position and are discounted to present value.

Employee benefits

i. Share-based payment transactions

Share-based payment transactions in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity settled share-based payments.

The grant date fair value of the share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employee becomes unconditionally entitled to the awards.

The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

For share-based payments with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. Where the Company grants rights to its equity instruments to employees of its subsidiaries, the costs are recharged to the subsidiary in line with the requirements of IFRS 2 'Share-based payments'.

ii. Shares held in an employee benefit trust (EBT)

Transactions of the Company sponsored EBT are treated as being those of the Company and are therefore, reflected in these financial statements.

iii. Retirement benefit costs

Payments to defined contribution retirement schemes are charged as the employees provide services to the Group.

3. Significant accounting policies continued

The Group has, for the period covered by these financial statements, made contributions to defined contribution plans to provide pension benefits for employees upon retirement, and otherwise, has no residual obligation or commitments in respect of any defined benefit scheme.

Inventories

As part of the Group's investment activities, it sometimes acquires real estate positions as part of a transaction. Where such real estate is acquired for the purposes of immediate resale, or where a sale will immediately follow a period of time where capital expenditure is being applied to the asset, such investments fall under the scope of IAS 2 – Inventories.

In line with IAS 2, all assets classified as inventories are held at initial cost, plus any subsequent cost of capital expenditure. Such assets are held at the lower of cost and net realisable value, but apart from this, no gain or loss will be taken on the value of the assets until the point at which they are sold, or partially sold.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity, or can demonstrate significant influence, or evidence through a number of aspects such as representation on the board of directors, participation in policy making and decisions, material transactions between the entity and investee, interchange of managerial personnel or provision of essential technical information. Associates are accounted for using the equity method and are initially recognised at cost. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of the associate from the date that significant influence commences until the date that it ceases.

Share capital and reserves

i. Share capital

Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

ii. Other reserves

Other reserves include the own share reserve, the translation reserve and the merger reserve. These reserves are further explained in note 19.

Intercompany receivables

The Company holds material intercompany receivables within its statement of financial position. These have been assessed under the IFRS 9 ECL criteria, measuring expected losses over the longest contractual period the Company is exposed to credit risks. The Company has concluded that these assets have no material ECL.

Operating expenses

Operating expenses relate to administration and costs associated with collection activities. All operating costs are accounted for on an accruals basis.

Earnings per share

The Group presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

3. Significant accounting policies continued

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the Group's other components, whose operating results are regularly reviewed by the Group's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Group's Board (being the CODM) include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Deferred and contingent consideration

During the normal course of business, the Group enters in agreements with third-parties to purchase portfolios of financial assets, and the consideration paid may include an element of deferred consideration. Such consideration is discounted at the Group's weighted average cost of debt to its present value at the point of initial recognition of the acquired portfolio asset, and this discounted amount is included within the purchase price of the portfolio asset. A liability for the discounted amount of deferred consideration is also recognised at this time. Subsequent to this, the discount taken from the gross deferred consideration payable to the initial present value is recognised in the income statement as a finance cost over time.

Usually as part of business acquisitions, the Group also enters into arrangements with third-parties to pay amounts in the future which are contingent on the outcome of a future event, such as the acquired business meeting certain operational or financial targets. In such instances, the Group forms an initial estimation of the fair value of such consideration by assessing the likelihood of paying out a range of amounts, and using this analysis to calculate the probability-weighted average expected pay out. This amount is then discounted at the Group's cost of debt to bring it to its present value at the point of acquisition. An assessment is made at this point as to whether the payments constitute a post-employment benefit arrangement with former owners, or not. If this is not the case, the present value is included within the consideration paid to acquire the business and within goodwill, if relevant. Each period the discount is unwound to the income statement as a finance cost, and the liability is remeasured to its current fair value at that point in time.

4. Critical accounting judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is set out below.

i. Classification of amortised cost financial assets

The Group holds the majority of its portfolio investments at amortised cost, due to the fact that management have determined that these assets that meet the SPPI criteria, and are held in a 'hold to collect' business model. The SPPI criteria for each portfolio are assessed at the point each portfolio is being approved for purchase, and are based on the nature of the underlying loans which are being purchased. This determination is made for each purchase individually, unless it is a follow-on purchase of the same or very similar assets, which have already been assessed.

Regarding the 'hold to collect' business model, the Group has determined that this is the most appropriate IFRS 9 business model classification for its general portfolio holding activities, as although in the past a small number of portfolios have been sold outright to a third-party, such sales do not comprise a material component of the Group's ERC at any point in time. Therefore, such infrequent sales activity is not deemed to invalidate the 'hold to collect' business model which the Group employs for the vast majority of its portfolio assets.

4. Critical accounting judgements and estimates continued

Another judgement which has been made regarding the Group's amortised cost portfolio assets is that they all fall within the POCI classification for IFRS 9 impairment measurement purposes. This judgement has been made by the Group, based upon the fact that historic purchase history and the current composition of the amortised cost portfolio investments shows that such assets tend to be bought at a point in time where they are credit impaired in some manner. This is supported by not only the nature of the assets, but by the fact that they are usually purchased at a deep discount, which is reflective of their incurred credit losses to date.

ii. Determination of control over investees

Arrow holds an economic interest in a number of entities which it has been deemed to not control. As such, these entities are not consolidated into the Group's financial statements, but rather, the investment in such entities is recognised as a single asset within the appropriate balance sheet classification, usually within portfolio investments. Conversely the Group also consolidates entities into its financial statements which it does not have 100% ownership of, but the Group has been judged to control such entities regardless.

The judgement as to whether or not the Group has control over an entity is taken on a case-by-case basis by management, and is firstly based upon whether the Group can exercise any power over the relevant activities of the entity, and if this is the case, whether there is deemed to be a link between such power and the variability of the Group's returns which arise from the entity.

In many cases the determination of control is clear. Cases where management must apply more judgement can occur where the Group holds a minority equity-level financial interest in a structured entity, as well as providing various services to these entities in a typical supplier-customer relationship capacity. In these cases, the Group mainly assesses the relative share of marginal variable returns which flow to third-parties versus the share which flows to the Group as a primary indicator of whether the Group is exercising any power it may have to influence the variable returns of the structured entity primarily for its own benefit, or for the benefit of third-parties in the structure. In the case of the former fact pattern, the entity will usually be consolidated, whereas under the latter, the entity will usually not be consolidated.

Assumptions and estimation uncertainties

i. Fair value of net assets acquired as part of business combinations

The Group capitalises goodwill on the acquisition of entities as discussed in the significant accounting policies. Goodwill is the excess of the consideration paid over the fair value of net assets acquired. Therefore the fair value of assets acquired directly impacts the amount of goodwill recognised on acquisition. The determination of the fair value of acquired net assets requires the exercise of management judgement, particularly for those financial assets or liabilities for which there are no quoted prices, or assets such as acquired portfolio investments and customer intangibles where valuations reflect estimates of amounts and timing of future cash flows. Different valuations would result in changes to the goodwill arising and to the post-acquisition performance of the acquired entities. Further detail on the valuation of acquired loan portfolios is given in section ii. below. Note 30 provides further detail on acquisitions in the period and the net assets acquired on each.

ii. Carrying value of portfolio investments

The carrying value of portfolio investments is £1,163,624,000 at 31 December 2019 (2018: £1,087,030,000). The majority of these portfolio investments are measured at amortised cost. The carrying value of the portfolio investments are based on cash flow forecasts that are prepared for each portfolio. Typically, these forecasts cover an 84-month period, except in the case of a number of FVTPL portfolios where it is necessary to forecast cash flows over a 120-month period to capture all of the material cash flows. The 84-month period is deemed to be the most appropriate time frame over which expected cash flows are measured, as this is the point that modelling accuracy begins to fall below a supportable threshold.

The cash flow (ERC) forecasts are generated using a mixture of asset-specific forecasts and statistical models, incorporating a number of factors, including predictions of probability to pay, which is informed by customer and account level data, credit agency data and our historical experience with accounts which have similar key

4. Critical accounting judgements and estimates continued

attributes. A further key model input is previous payments made by a customer. Additionally, estimates are made of the movement of accounts from non-paying to paying, and vice-versa, either through breakdown of the account or settlement/pay down of the balances due. In relation to non-paying accounts, assumptions will be made as to which operational strategy is the most appropriate to move the account to paying status, which may include placing these accounts into litigation. Operational factors that may impact future estimated ERCs are also considered, such as improved collections processes and systems.

Management also review the model on a portfolio basis to take into account external factors, which have impacted historical, or will impact future performance and where necessary portfolios are calibrated to take into account these known factors. Known or estimated factors such as HPI increases/decreases, or planned litigation action are examples of key assumptions which are made that impact management's forecast of ERCs. The assumptions and estimates made are specific to the particular characteristics of each portfolio.

The ERCs created from the ERC forecasting models are regularly bench-marked at a portfolio level against actual performance, and this helps to inform the decision as to whether an impairment gain/loss may be required. Furthermore, with the introduction of IFRS 9 in 2018, ERCs also include specific consideration of multiple economic scenarios and the impact these are likely to have on collections in the future. For further information on this please see note 25.

The estimated future cash flows generated by the above process are the key estimate/judgement in these financial statements. Flexing the expected future gross cash flows by +1/-1% would impact the closing carrying value of the amortised cost and FVTPL portfolio investments as at 31 December 2019 by +/- £11,020,000 (2018: +/- £10,870,000). The forecasting period over which ERCs are calculated is also a key estimate/ judgement in these financial statements. Adding or removing six months to the cash flow forecasting period would increase/(reduce) the closing carrying value of the portfolio investments as at 31 December 2019 by £12,453,000/(£17,326,000) (2018: £13,796,000/(£16,360,000)). Note that there are a large number of inputs which are used to derive the ERC and hence the carrying value of portfolios. However, many of these are factual historical data points which do not individually involve significant estimation uncertainty, and as such, an overall combined sensitivity has been provided.

iii. Impairment assessment of goodwill balances

The carrying amount of goodwill is £267,700,000 at 31 December 2019. In line with the Group's accounting policies, the goodwill balance is assessed for impairment at each annual reporting date. The impairment assessment is carried out on a value in use basis, using discounted cash flow models for each cash generating unit (CGU) to determine whether the ongoing value in use of each CGU is higher than its carrying amount. No impairment was recognised as a result of the assessment performed as at 31 December 2019. This assessment is sensitive to the discount rate applied, and management's forecast future cash flows for each CGU. Further information about the methodology applied and sensitivities to these factors are disclosed in note 13.

5. Segmental reporting

The Group reports under three separate reportable segments. Segmental information has been provided in line with what is reviewed on a regular basis by the chief operating decision maker (CODM), which is the board of directors collectively, as defined in IFRS 8. The principal business categories are as follows:

Investment Business (IB)	All portfolio investments that the Group owns, and the income and costs associated with them
Asset Management and Servicing Business (AMS)	Income and costs associated with managing debt portfolios on behalf of the Group and external servicers. Our Fund Management business is reported under this segment.
Group functions	Costs not directly associated with either the Investment or Asset Management and Servicing Business, but relevant to overall oversight and control of the Group's activities

5. Segmental reporting continued

These segments represent how the Group manages the wider business, and the organisational structure is aligned to these segments. Therefore, this has been deemed to be the appropriate level of disaggregation to provide information to the CODM. Further granularity, such as type of AMS contract, or type of IB portfolio, is not how the business is managed or organised, and hence such further detail has not been presented to the CODM, or in the segmental disclosures.

The intra-segment elimination column below removes charges made from the AMS business segment to the IB segment on behalf of the Group for servicing and collection of the Group's portfolio investments. The intra-segment charge is calculated on equivalent commercial terms to charging third parties. For further information on adjusting items, please see the additional information section.

2019	Investment business £000	AMS business £000	Group functions £000	Intra-segment elimination £000	Adjusting items	Total 2019 £000
Total income	**244,766**	**140,054**	**392**	**(45,694)**	**—**	**339,518**
Collection activity costs	**(92,682)**	**(62,495)**	**(315)**	**45,694**	**—**	**(109,798)**
Gross margin	**152,084**	**77,559**	**77**	**—**	**—**	**229,720**
Gross margin %	**62.1%**	**55.4%**				
Other operating expenses excluding depreciation, amortisation and forex	**(24,339)**	**(44,155)**	**(9,166)**	**—**	**(26,789)**	**(104,449)**
EBITDA	**127,745**	**33,404**	**(9,089)**	**—**	**(26,789)**	**125,271**
EBITDA margin %	**52.2%**	**23.9%**				
Depreciation, amortisation and forex	**—**	**—**	**(19,453)**	**—**	**—**	**(19,453)**
Operating profit	**127,745**	**33,404**	**(28,542)**	**—**	**(26,789)**	**105,818**
Net finance costs	**—**	**—**	**(54,498)**	**—**	**—**	**(54,498)**
Refinancing costs	**—**	**—**	**—**	**—**	**—**	**—**
Profit before tax	**127,745**	**33,404**	**(83,040)**	**—**	**(26,789)**	**51,320**

2018	Investment business £000	AMS business £000	Group functions £000	Intra-segment elimination £000	Adjusting items	Total 2018 £000
Total income	269,404	132,306	731	(40,645)	—	361,796
Collection activity costs	(94,617)	(63,989)	—	40,645	(1,080)	(119,041)
Gross margin	174,787	68,317	731	—	(1,080)	242,755
Gross margin %	64.9%	51.6%				
Other operating expenses excluding depreciation, amortisation and forex	(20,715)	(41,613)	(36,733)	—	(22,676)	(121,737)
EBITDA	154,072	26,704	(36,002)	—	(23,756)	121,018
EBITDA margin %	57.2%	20.2%				
Depreciation, amortisation and forex	—	—	(14,235)	—	—	(14,235)
Operating profit	154,072	26,704	(50,237)	—	(23,756)	106,783
Net finance costs	—	—	(48,134)	—	—	(48,134)
Refinancing costs	—	—	—	—	(18,658)	(18,658)
Profit before tax	154,072	26,704	(98,371)	—	(42,414)	39,991

Total income includes income from portfolio investments, asset management and servicing and other income.

2019 Geographical information	UK and Ireland £000	Portugal £000	Italy £000	Netherlands £000	Intra-Group trading £000	Total £000
Total Income	**134,066**	**100,722**	**84,077**	**66,347**	**(45,694)**	**339,518**
Income from AMS contracts with customers	**35,261**	**34,201**	**34,632**	**35,960**	**(45,694)**	**94,360**
Non-current assets	**114,110**	**74,535**	**82,226**	**59,509**	**—**	**330,380**

5. Segmental reporting continued

2018 Geographical information	UK and Ireland £000	Portugal £000	Italy £000	Netherlands £000	Intra-Group trading £000	Total £000
Total Income	139,990	117,971	64,712	79,768	(40,645)	361,796
Income from AMS contracts with customers	30,593	27,153	30,041	44,519	(40,645)	91,661
Non-current assets	82,419	69,686	77,927	84,672	—	314,704

Income from contracts with customers has been disaggregated on a geographical basis, as a similar set of services are provided to customers across the geographies, and therefore this was deemed to be the most appropriate level of disaggregation for this disclosure.

Non-current assets are assets with a useful life of more than one year with the exception of deferred tax which has been excluded.

Gross AMS income includes commission income, debt collection, due diligence, real estate management, advisory fees and intra-Group income for these services.

	2019 £000	2018 £000
Third-party AMS Business income	**94,360**	91,661
Intra-Group AMS income	**45,694**	40,645
Gross AMS income	**140,054**	132,306
Investment business Income	**244,766**	269,404
Other income	**392**	731
Gross income	**385,212**	402,441

Gross income includes commission income, debt collection, due diligence, real estate management, advisory fees and intra-Group income for Asset Management and Servicing, total income for the Investment Business and other income.

6. Income from asset management and servicing

Income from Asset Management and Servicing (AMS) contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it satisfies a performance obligation related to a service it has undertaken to provide to a customer.

Asset management and servicing income

Servicing income makes up the majority of AMS income, and in itself comprises a broad range of services, including secured and unsecured collection activity, real estate asset realisation, legal title holding, due diligence activities, initial platform migration and on-boarding activities, securitisation vehicle set-up and ongoing management activities, new origination activities, litigation and court process management and third-party sub-servicer management.

In all material cases, the services are provided at a point in time which corresponds to the satisfaction of the related performance obligations. As such, revenue arising from servicing income is normally recognised as the services are provided to the customer, with no deferral or acceleration of revenue across the life of the contract.

Fund management income

Fund management income encompasses services provided in relation to the discretionary and semi-discretionary allocation and management of third-party capital. Fees for fund management services are normally calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on a regular basis. Revenue from fund management services is recognised over time as the services are provided.

6. Income from asset management and servicing continued

Contract balances

At 31 December 2019, the Group had assets relating to contracts with customers in the amount of £3.1m (31 December 2018: £nil). These assets relate to up-front costs which were incurred to acquire customers, and will be released to the income statement across the same period as the associated revenue will be recognised. The weighted average life remaining on these contract balances is 8 years (31 December 2018: n/a). None of the contract balances have impacted the Group's income to date.

7. Finance income

	2019 £000	2018 £000
Bank interest	**61**	76
Total finance income	**61**	76

8. Finance costs

	2019 £000	2018 £000
Interest and similar charges on bank loans	**8,028**	7,168
Interest and similar charges on senior secured notes	**38,232**	37,458
Interest and similar charges on asset backed securitisation	**2,509**	—
Interest rate swap and forward exchange contract hedge costs	**515**	1,568
Lease liability interest	**1,395**	—
Other interest	**3,880**	2,016
Bond refinancing costs	**—**	18,658
Total finance costs	**54,559**	66,868

In 2018, bond refinancing costs comprised £18,658,000 incurred on the early redemption of the €230 million notes due 2023, of which £13,623,000 was a cash cost related to the call premium. The remaining £5,035,000 was due to a non-cash write-off of related transaction fees, in connection with the 2023 Notes.

9. Auditor's remuneration

The analysis of auditor remuneration is as follows:	2019 £000	2018 £000
Fees payable for audit services – Company	**55**	55
Fees payable for audit services – subsidiaries	**1,420**	1,072
Total fees payable for audit services	**1,475**	1,127
Fees payable for audit-related assurance services	**100**	88
Fees payable for other assurance services	**107**	209
Total fees payable for assurance services	**207**	297
Fees payable for transaction services	**20**	100
Total fees payable for non-audit services	**227**	397
Total fees payable	**1,702**	1,524

10. Collection activity costs, other operating expenses and staff costs

Collection activity costs	Note	2019 £000	2018 £000
External collection costs		**31,490**	40,417
Staff costs	10.b	**42,789**	41,100
Direct temp labour		**4,807**	5,347
Direct operating costs		**15,057**	13,876
Legal disbursements		**14,416**	15,348
Other collection activity costs		**1,239**	2,953
Total collection activity costs		**109,798**	119,041

Other operating expenses	Note	2019 £000	2018 £000
Staff costs	10.b	**56,142**	53,346
Other staff related costs		**11,591**	8,625
Premises		**5,401**	8,242
IT		**13,830**	11,520
Depreciation and amortisation		**18,435**	14,235
Write off of PPE and intangible assets		**6,377**	—
Net foreign exchange losses/(gains)		**1,018**	(2)
Acquisition related expenses		**1,457**	14,717
Deferred consideration release		**(21,119)**	—
Other operating expenses		**30,770**	25,289
Total other operating expenses		**123,902**	135,972

In 2019, £8,817,000 of the other staff-related costs relates to temporary labour, recruitment and training (2018: £7,537,000).

b. Staff costs

	2019 £000	2018 £000
Wages, bonuses and salaries	**77,698**	73,749
Pension costs	**2,833**	2,595
Social security costs	**12,576**	10,126
Share-based payments	**1,437**	3,267
Staff restructuring	**4,387**	4,709
	98,931	94,446

The total executive and non-executive directors' remuneration during the year was £1,432,000 (2018: £2,611,000), including £110,000 in relation to pension costs (2018: £128,000). See the remuneration report for further disclosures relating to directors' remuneration.

The average monthly number of employees (including executive directors) are analysed below:

	2019	2018
Operations and asset servicing	**1,707**	1,207
Commercial asset management	**217**	154
Finance	**197**	140
Fund management and origination	**142**	101
Legal and risk	**105**	74
HR and communications	**58**	41
Management and support	**15**	13
	2,441	1,730

The Group restructured its business units during the year. The prior year average employees have been updated in line with the new structure.

11. Taxation

The Group's activities are predominantly UK based. The analysis below therefore uses the UK rate of corporation tax.

a. Amounts recognised in profit and loss	2019 £000	2018 £000
Current tax expense		
Tax charge at standard UK corporation tax rate	**14,152**	13,328
Changes in estimate related to prior years	**1**	(849)
Total current tax expense	**14,153**	12,479
Deferred tax expense		
Origination and reversal of temporary differences	**(1,332)**	(2,373)
Adjustment in relation to prior years	**2,421**	(84)
Recognition of previously unrecognised tax losses	**(1,209)**	—
Total deferred tax expense	**(120)**	(2,457)
Total income tax expense	**14,033**	10,022

The differences in the effective tax rate for the period and the standard rate of corporation tax in the UK at 19% (2018: 19%) are as follows:

b. Reconciliation of effective tax rate	2019 £000	2018 £000
Profit before tax	**51,320**	39,991
Tax charge at standard UK corporation tax rate	**9,751**	7,598
Effect of tax rates in foreign jurisdictions	**2,052**	2,606
Expenses not deductible for tax purposes	**(358)**	768
Changes in corporate tax rates in the year	**(1,209)**	(17)
Movements in unrecognised deferred tax	**1,376**	—
Changes in estimate relating to prior years	**2,421**	(933)
Total income tax expense	**14,033**	10,022

c. Amounts recognised in OCI	2019			2018		
	Before tax £000	Tax (expense)/ benefit £000	Net of tax £000	Before tax £000	Tax (expense)/ benefit £000	Net of tax £000
Items that are/may be reclassified to profit or loss						
Movement in hedging reserve:						
Effective portion of changes in fair value	**187**	**(33)**	**154**	(291)	50	(241)
Net amount reclassified to profit or loss	**7**	**—**	**7**	—	—	—
Total movement in hedging reserve	**194**	**(33)**	**161**	(291)	50	(241)

The rate of UK corporation tax, as enacted under previous Finance Acts, was expected to reduce to 17% from 1 April 2020. Although the UK Government has announced its intention to pass revised legislation under which the rate would remain at 19%, no legislation has been introduced at the balance sheet date and therefore deferred tax balances in relation to the UK have been calculated using a rate of 17%.

In December 2019, a new corporate tax law was enacted in the Netherlands. Consequently, as of 1 January 2020, the corporate tax rate in the Netherlands will be reduced from 25% to 21.7%. This change resulted in a gain of €1,147,000 related to the remeasurement of deferred tax assets and liabilities of the Group's Dutch subsidiaries being recognised during the year ended 31 December 2019.

11. Taxation continued

Deferred tax

The Group has not recognised a deferred tax asset in respect of £2,560,000 (2018: £859,000) of tax losses carried forward, due to uncertainties over the future utilisation of the losses, including the future profitability of the relevant subsidiaries. These losses may be available for offset against future profits and have no expiry date. There are no unrecognised deferred tax liabilities.

Movement in deferred tax balances

2019	Net balance 1 January £000	Recognised in profit or loss £000	Recognised in OCI/ equity £000	Opening reserves £000	Transferred in on acquisition £000	Foreign exchange £000	Net balance 31 December £000	Deferred tax assets £000	Deferred tax liabilities £000
Fixed assets	**463**	**(9)**	**—**	**—**	**273**	**—**	**727**	**727**	**—**
IFRS transitional adjustments	**(1,416)**	**252**	**—**	**—**	**—**	**8**	**(1,156)**	**—**	**(1,156)**
Share schemes	**704**	**285**	**(121)**	**—**	**—**	**—**	**868**	**868**	**—**
Hedging reserve	**120**	**—**	**(33)**	**—**	**—**	**—**	**87**	**87**	**—**
Other temporary differences	**828**	**329**	**—**	**—**	**—**	**(436)**	**721**	**721**	**—**
Losses	**5,682**	**486**	**—**	**—**	**—**	**185**	**6,353**	**6,353**	**—**
Fair value and IFRS 9 adjustments	**(13,198)**	**(1,383)**	**—**	**—**	**(693)**	**636**	**(14,638)**	**1,843**	**(16,481)**
IFRS 16 transitional adjustments	**—**	**160**	**—**	**—**	**—**	**—**	**160**	**160**	**—**
	(6,817)	**120**	**(154)**	**—**	**(420)**	**393**	**(6,878)**	**10,759**	**(17,637)**

2018	Net balance 1 January £000	Recognised in profit or loss £000	Recognised in OCI/ equity £000	Opening reserves £000	Transferred in on acquisition £000	Foreign exchange £000	Net balance 31 December £000	Deferred tax assets £000	Deferred tax liabilities £000
Fixed assets	303	160	—	—	—	—	463	463	—
IFRS transitional adjustments	(1,748)	332	—	—	—	—	(1,416)	—	(1,416)
Share schemes	1,225	(328)	(193)	—	—	—	704	704	—
Hedging reserve	70	—	50	—	—	—	120	120	—
Other temporary differences	750	523	—	—	(310)	(135)	828	1,144	(316)
Losses	5,432	(796)	—	—	1,004	42	5,682	5,682	—
Fair value and IFRS 9 transitional adjustments	(20,192)	2,566	—	3,000	1,305	123	(13,198)	—	(13,198)
	(14,160)	2,457	(143)	3,000	1,999	30	(6,817)	8,113	(14,930)

Fair value of net assets acquired as part of business combinations is considered in note 4.

Tax impact of the UK giving notice to withdraw from the EU

Given that the UK has now exited the EU (at 31 January 2020), the Group has considered the impact of Brexit from a tax perspective. The UK is in a transition period until 31 December 2020, during which time all EU directives will continue to be in force. As such, no impact to the Group's tax position is expected in 2020.

It is too soon to know what the arrangements may be with the EU from 1 January 2021 onwards, however the Group does not expect there to be any significant impact from a tax perspective.

11. Taxation continued

Uncertainty over income tax treatments

The current tax liability of £7,645,000 represents the amount of income taxes payable in respect of current and prior year periods, including a provision in relation to uncertain tax positions.

As for most multinationals, the current tax environment is creating increasing levels of uncertainty and the Group is potentially subject to tax audits in many jurisdictions. By their nature, these are often complex and could take a significant period of time to be agreed with the tax authorities. The Group estimates and accrues taxes that will ultimately be payable when reviews or audits by tax authorities of tax returns are completed. The levels of risk arising from tax audits may change as a result of legislative change, tax authority guidance or practice and correspondence with the tax authorities during a specific audit. It is not possible to quantify the impact that such future developments may have on the tax positions taken in the financial statements.

12. Earnings per share (EPS)

	2019 £000	2018 £000
Profit after tax attributable to shareholders	**35,223**	29,969
Weighted average ordinary shares	**175,859**	174,939
Potential exercise of share options	**4,942**	4,515
Weighted average ordinary shares (diluted)	**180,801**	179,454
Basic earnings per share (£)	**0.20**	0.17
Diluted earnings per share (£)	**0.19**	0.17

Refer to table of alternative performance measures in the 'additional information' section for details of underlying earnings per share.

13. Goodwill

	£000
Cost	
At 1 January 2018	155,088
Additions	107,984
Exchange rate differences	1,916
At 31 December 2018	264,988
Additions[1]	14,519
Adjustment of the discounted value of deferred consideration paid for EI	462
Modification to Drydens' opening balance sheet fair value post-acquisition	693
Exchange rate differences	(10,653)
At 31 December 2019	**270,009**
Amortisation and impairment	
At 31 December 2018 and 31 December 2019	**2,309**
Net book value	
At 31 December 2019	**267,700**
At 31 December 2018	262,679

13. Goodwill continued

The following table provides a breakdown of goodwill acquired during the current and prior year:

	£000
Goodwill on acquisition	
At 1 January 2018	155,088
Parr Credit s.r.l.	22,533
Europa Investimenti S.p.A (EI)	48,219
Norfin Investimentos S.A. (Norfin)	31,335
Bergen Capital Management Limited (Bergen)	5,164
Modification to EI opening balance sheet fair value post-acquisition	733
Exchange rate differences	1,916
At 31 December 2018	264,988
Drydens Limited (Drydens)[1]	14,519
Exchange rate differences and goodwill adjustments	(9,498)
At 31 December 2019	**270,009**

1. See note 30 for a detailed analysis of additions to goodwill during the year.

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated to four aggregated CGUs on the basis that these represent the lowest level at which goodwill is monitored for internal management purposes and are not larger than the single operating segment defined under IFRS 8 (Operating Segments).

Goodwill CGU allocation

In relation to goodwill, the four CGUs identified are UK and Ireland, comprising all Group companies acquired in the Capquest acquisition, Arrow Global Receivables Management Limited, Mars Capital, Bergen and Drydens; Portugal, comprising of all the Group companies acquired in the Whitestar, Gesphone, Redrock and Norfin acquisitions; Benelux, comprising all the Group companies acquired in the Vesting acquisition; and Italy, comprising Zenith, Parr Credit and Europa Investimenti S.p.A. The UK and Ireland, Portugal, Benelux, and Italy CGUs, represent the cash flows generated principally from collections on acquired portfolio investments and management and servicing of third-party debt.

Given the structure and operating model of the Group, it has been deemed appropriate to combine a number of CGUs for impairment testing purposes. This is in line with the Group's stated strategy of providing a range of services in each geographic region in which the Group operates and represents the lowest level at which the Group's resources and assets are allocated internally.

The discount rate was a post-tax rate based on the yield of average European 10-year government bonds, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk of the specific CGU.

Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the lower of the nominal GDP rates for the countries in which the CGU operates and the long-term compound annual profit before taxes, depreciation and amortisation growth rate estimated by management.

Budgeted profit before taxes, depreciation and amortisation were based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated growth for the next five years.

13. Goodwill continued

The key assumptions described above may change as economic and market conditions change. The Group estimates that likely possible changes in these assumptions would not cause the recoverable amount of any CGU to decline below the carrying amount.

The Group's goodwill balance has been assessed and no part of the overall balance is deemed to be deductible for tax purposes.

For the purposes of impairment testing, goodwill is allocated to the Group's CGUs as follows:

	2019 £000	2018 £000
UK and Ireland	**79,476**	64,312
Portugal	**69,156**	73,061
Benelux	**40,824**	43,132
Italy	**78,244**	82,174
	267,700	262,679

An impairment review was carried out at 31 December 2019 that resulted in no impairment to goodwill. The goodwill was assessed to be appropriately stated. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of the CGUs is determined as the higher of fair value, less cost to sell and value in use. The key assumptions for the value in use calculations were as follows:

	2019				2018			
	UK and Ireland	Portugal	Benelux	Italy	UK and Ireland	Portugal	Benelux	Italy
Discount rate %	**8.6%**	**9.0%**	**8.2%**	**9.0%**	8.5%	8.9%	8.2%	8.9%
Growth rate used to extrapolate forecasts	**2.0%**	**2.2%**	**2.0%**	**1.7%**	2.0%	2.2%	2.0%	1.7%

Discount rates

Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Post-tax rates are used alongside post-tax cash flows, as the post-tax discount rate is more readily derived from observable market information. Any potential differences between post-tax discount rates and cash flows and the pre-tax method under IAS 36 – Impairment of assets have been considered, and no material differences between approaches have been identified.

The starting point for determining the discount rates for each CGU was to use the Group's weighted average cost of capital (WACC) and adjust this for specific factors for each of the CGUs to derive a market participant's rate. The factors took into account the risks inherent in each of the CGUs; such as currency, regulatory, and economic risks and the different operations in the CGUs were also considered.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows into perpetuity. The forecasts assume growth rates in collection activity which in turn drive forecast collections and cost figures. These assumptions are in keeping with the directors' expectations of future growth. Appropriate tax rates are applied to the cash flow forecasts for each CGU. The analysis has been prepared using post-tax cash flows and discount rates, as post-tax discount rates can be more readily derived from observable market data. The Group is satisfied that this is materially equal to performing the analysis on pre-tax cash flows and discount rates.

13. Goodwill continued

The Group has conducted a sensitivity analysis on the impairment test of the CGU's carrying value. The CGUs would become impaired based on a net post-tax cash flow reduction set out below, or based on an increase in the discount rate noted below:

	A cash flow reduction of	A discount rate increase of
UK and Ireland	**58%**	**11%**
Portugal	**41%**	**5%**
Benelux	**23%**	**2%**
Italy	**59%**	**8%**

14. Intangible assets

	Customer intangibles £ 000	Contractual rights £ 000	IT platform[1] £ 000	Software licences £ 000	Total £ 000
Cost					
At 1 January 2018	25,686	944	30,001	9,831	66,462
Assets acquired on acquisition of a subsidiary	1,718	37	—	191	1,946
Exchange differences	282	12	93	50	437
Additions	—	485	8,751	1,841	11,077
Reclassifications	—	7	—	(7)	—
Disposals	—	—	(619)	(701)	(1,320)
At 31 December 2018	27,686	1,485	38,226	11,205	78,602
Assets acquired on acquisition of a subsidiary	688	—	—	—	688
Exchange differences	(1,372)	(79)	(705)	(269)	(2,425)
Additions	117	6	8,706	3,001	11,830
Reclassifications	—	—	—	—	—
Disposals	—	—	—	(273)	(273)
At 31 December 2019	**27,119**	**1,412**	**46,227**	**13,664**	**88,422**
Accumulated amortisation					
At 1 January 2018	7,998	485	7,347	7,139	22,969
Exchange differences	151	(3)	35	31	214
Amortisation charge for the year[2]	5,120	216	4,485	2,146	11,967
Reclassifications	—	—	(22)	22	—
Disposals	—	—	(226)	(586)	(812)
At 31 December 2018	13,269	698	11,619	8,752	34,338
Exchange differences	(768)	(47)	(153)	(239)	(1,207)
Amortisation charge for the year[2]	4,694	244	4,879	1,821	11,638
Reclassifications	—	—	—	—	—
Write-off	—	—	5,769	(6)	5,763
Disposals	—	—	—	(269)	(269)
At 31 December 2019	**17,195**	**895**	**22,114**	**10,059**	**50,263**
Carrying amount					
At 31 December 2019	**9,924**	**517**	**24,113**	**3,605**	**38,159**
At 31 December 2018	14,417	787	26,607	2,453	44,264

1. An intangible asset relating to a software upgrade in the is included within IT Platforms. The asset has a carrying value of €6,000,00 and a remaining amortisation period of 10 years.
2. Amortisation is shown within the other operating expenses line of the consolidated statement of profit or loss.

15. Property, plant and equipment

	Land and Buildings £ 000	Leasehold improvements £ 000	Computer equipment £ 000	Furniture £ 000	Vehicles £ 000	Right-of-use asset[1] £ 000	Total property, plant and equipment £ 000
Cost							
At 1 January 2018	3,114	6,517	3,621	2,079	7	—	15,338
Assets acquired on acquisition of a subsidiary	—	103	127	93	182	—	505
Exchange differences	(128)	56	93	16	15	—	52
Additions	1	701	1,309	356	—	—	2,367
Reclassifications	—	—	—	—	—	—	—
Disposals	(2,987)	(128)	(43)	(604)	—	—	(3,762)
At 31 December 2018	—	7,249	5,107	1,940	204	—	14,500
Assets acquired on acquisition of a subsidiary	—	118	244	14	—	578	954
Adoption of IFRS 16 as at 1 January 2019	—	—	—	—	—	26,386	26,386
Exchange differences	—	(227)	2	12	17	—	(196)
Additions	—	385	338	42	120	384	1,269
Reclassifications	—	—	—	—	—	—	—
Disposals	—	—	(292)	(9)	(42)	(674)	(1,017)
At 31 December 2019	**—**	**7,525**	**5,399**	**1,999**	**299**	**26,674**	**41,896**
Accumulated depreciation							
At 1 January 2018	63	2,020	2,081	1,005	1	—	5,170
Exchange differences	2	14	11	7	1	—	35
Disposal	(111)	(106)	(36)	(481)	—	—	(734)
Reclassifications	—	—	—	—	—	—	—
Charge for the year	46	1,050	780	386	6	—	2,268
At 31 December 2018	—	2,978	2,836	917	8	—	6,739
Adoption of IFRS 16 as at 1 January 2019	—	—	—	—	—	3,199	3,199
Exchange differences	—	(79)	210	28	78	(15)	222
Charge for the year	—	920	811	290	66	4,710	6,797
Reclassifications	—	—	—	—	—	—	—
Write-off leasehold improvements	—	509	—	104	—	—	613
Disposal	—	—	(168)	(6)	(21)	—	(195)
At 31 December 2019	**—**	**4,328**	**3,689**	**1,333**	**131**	**7,894**	**17,375**
Carrying amount							
At 31 December 2019	**—**	**3,197**	**1,710**	**666**	**168**	**18,780**	**24,521**
At 31 December 2018	—	4,271	2,271	1,023	196	—	7,761

1. See note 21 for a detailed analysis of right of use assets.

16. Trade and other receivables

	Group		Company	
	2019 £ 000	2018 £ 000	**2019 £ 000**	2018 £ 000
Current				
Trade receivables	**31,748**	45,436	**—**	—
Other receivables	**10,839**	2,672	**182**	—
Due from subsidiary undertakings	**—**	—	**212,535**	222,371
Prepayments	**5,896**	5,427	**—**	208
Bank balances not classified as cash and cash equivalents	**26,611**	40,671	**—**	—
	75,094	94,206	**212,717**	222,579

Other receivables includes contract balances of £3.1 million and £3.4 million of receivables related to contracts with customers. Bank balances not classified as cash and cash equivalents are those cash balances which, while controlled by the Group, are not readily available for immediate use by the Group. This is usually because the cash payments are subject to constraints regarding when the balance can be remitted, such as in a securitisation structure awaiting a payment date.

17. Trade and other payables

	Group		Company	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Current				
Trade payables	**15,635**	24,133	**489**	198
Deferred consideration on acquisition of subsidiaries	**11,332**	11,119	**—**	—
Deferred consideration on portfolio investments	**62,944**	12,031	**—**	—
Taxation and social security	**356**	163	**—**	—
Due to subsidiary undertaking	**—**	—	**1,518**	2,053
Accruals	**35,006**	53,954	**—**	—
Other liabilities	**19,495**	43,781	**—**	—
Lease liability	**5,312**	—	**—**	—
	150,080	145,181	**2,007**	2,251
Non-current				
Trade payables	**15,278**	3,673	**—**	—
Deferred consideration on acquisition of subsidiaries	**19,040**	48,803	**—**	—
Other liabilities	**20,411**	—	**—**	—
Lease liability	**18,192**	—	**—**	—
	72,921	52,476	**—**	—
Total trade and other payables	**223,001**	197,657	**2,007**	2,251

Deferred consideration on acquisition of subsidiaries has reduced as amounts were repaid in the period, alongside remeasurements of deferred contingent consideration liabilities in the period which reduced their value. Deferred consideration on portfolio investments have increased in the period as significantly more portfolio acquisitions had an element of deferred consideration outstanding at 31 December 2019 than 31 December 2018.

17. Trade and other payables continued

Included within other liabilities is €2,463,000 (£2,095,000) (31 December 2018: €1,970,000 (£1,771,000)) relating to deferred pay for the Italian employees. The employees are part of statutory indemnity schemes, compulsory by law, that entitles them to deferred pay, typically at the end of their employment, the 'Trattamento di fine rapport' (TFR). A liability is recognised to reflect that the indemnity will be paid at a future date, when the employees leave employment. The liability is included within trade and other payables on the statement of financial position and is calculated by an independent expert through an actuarial valuation, the key assumptions used are detailed below:

	2019	2018
Discount rate	**0.67% to 1.5%**	1.3% to 1.6%
Annual inflation rate	**1.0% to 1.5%**	1.5%
Wage inflation	**2.0% to 3.0%**	2.0% to 3.5%
Probability of leaving employment for reasons other than retirement (employees aged 18-60)	**2.3% to 10.0% per annum**	2.6% to 10.0% per annum

18. Contingent liabilities

Through the ordinary course of business, the Group exposes itself to potential liabilities which at present it is not aware of, and may or may not arise in the future. As such, it would not be practical to try and quantify their future financial impact. However, set out below are broad areas of the Group's ordinary business activities which may in the future lead to potential claims or liabilities being incurred by the Group.

Conduct and regulatory compliance

Given the high level of scrutiny regarding financial institutions' treatment of customers and business conduct from regulatory bodies, the media and politicians, there is a possibility that certain aspects of the current or historic business, including, amongst other things, collections practices and general treatment of customers, may be determined by the FCA and other regulatory bodies or the courts as, in their opinion, not being conducted in accordance with applicable laws or regulations, or fair and reasonable treatment.

Contractual disputes

In carrying out its ongoing business, the Group enters into numerous contracts in any given year with a various third-party entities. There is always a risk that a contractual dispute may arise in the future, which may lead to a claim against the Group in respect of any damages or losses incurred by the third-party.

19. Share capital and reserves

Share capital and share premium

	2019 £000	2018 £000
Issued, fully paid and authorised		
176,858,244 (2018: 176,263,343) ordinary shares of 1p each	**1,769**	1,763
Offset by own shares	**(6)**	(10)
	1,763	1,753

Total consideration for the shares was £349,180,000 (2018: £349,180,000), giving rise to a share premium of £347,436,000 (2018: £347,436,000). £41,680,000 was raised as part of the IPO, net of £8,420,000 of IPO costs, which were netted against the share premium account in accordance with the Companies Act 2006, section 610. The Company's ordinary shares carry an equal right to receive dividends and repayments of capital paid by the Company. There are no restrictions on the repayment of capital.

The shareholders have the right to receive notice of, and to attend and vote at all general meetings of the Company.

19. Share capital and reserves continued

Own shares

Own shares consist of treasury shares and shares held within an employee benefit trust. The Company has an employee benefit trust for the granting of shares to applicable employees.

Own shares are recognised at cost as a deduction from equity shareholders' funds. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sale proceeds and the original cost being taken to retained earnings. No gain or loss is recognised in the financial statements on transactions in treasury shares.

	2019 £000	2018 £000
Issued, fully paid and authorised		
1,030,766 (2018: 257,377) opening own shares of 1p each	**10**	3
Changes in the period	**(4)**	7
628,874 (2018: 1,030,766) closing shares of 1p each	**6**	10

Nature and purpose of reserves

Hedging reserve

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

Own share reserve

The own share reserve comprises the cost of the Company's ordinary shares held by the Group. At 31 December 2019, the Company held 628,874 ordinary shares of 1p each (2018: 1,030,766 ordinary shares of 1p each) held in an employee benefit trust. This represents 0.4% of the Company's share capital as at 31 December 2019.

Translation reserve

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

Merger reserve

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

20. Dividends

The following dividends were recognised as distributions to owners during the year ended 31 December 2019:

	2019 £000	2018 £000
Interim dividend 2019: 4.4p per ordinary share (2018: 4.0p)	**7,751**	7,002
Final dividend 2018: 8.7p per ordinary share (2017: 8.1p)	**15,311**	14,156
	23,062	21,158

The 2019 interim dividend was declared at 50% of the 2018 final dividend. A final dividend for 2019 has been proposed of 8.7p, bringing the total dividend for the year to 13.1p being 40% of underlying profit after tax. The proposed final dividend is subject to approval at the annual general meeting and has, therefore, not been included as a liability in these financial statements.

20. Dividends continued

The ex-dividend date for the final dividend is 11 June 2020, with a record date of 12 June 2020 and a payment date of 17 July 2020. Shareholders will have the opportunity to elect to reinvest their cash dividend and purchase existing shares in the Company through a dividend reinvestment plan with an election date of 26 June 2020. The dividend has not been recognised as a liability and there are no tax consequences.

21. Leases

The Group has leases for offices and production vehicles. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 15).

Leases of vehicles are usually limited to a lease term of two to four years. Leases of property generally have a lease term ranging from five years to ten years. Lease payments are generally fixed, however there are a limited number of property leases where rentals are linked to annual changes in an index (either RPI or CPI).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

Right-of-use assets

Right-of-use assets relate to leased office premises and vehicles that are presented within property, plant and equipment (see note 15).

	Office premises £000	Vehicles £000
Adoption of IFRS 16 as at 1 January 2019	**23,401**	**2,985**
Adoption of IFRS 16 as at 1 January 2019 depreciation	**(1,409)**	**(1,790)**
Depreciation charge for the year	**(4,060)**	**(650)**
Additions	**962**	**—**
Disposals	**(674)**	**—**
Exchange differences	**13**	**2**
Balance at 31 December 2019	**18,233**	**547**

Maturity analysis – contractual undiscounted cash flows

See note 25 for maturity analysis of lease liabilities as at 31 December 2019.

At 31 December 2018, the future minimum lease payments under non-cancellable operating leases were payable as follows:

	2018 £000
Less than one year	3,517
Between one and five years	15,032
More than five years	9,440
	27,989

21. Leases continued

The primary difference between the total future minimum lease payment as at 31 December 2018 and the opening right of use assets recognised on adoption to IFRS 16 relates to the phasing of the IAS 17 charge, including recognition of rent-free periods over the lease term, as opposed to the straight line depreciation of an opening right of use balance, which was determined by discounting the future lease payments at the incremental cost of borrowing relating to a particular lease. This resulted in a timing difference on the recognition of the lease expense between IAS 17 and IFRS 16.

Amounts recognised in profit or loss

During 2019 the following leases-related expenses were recognised under IFRS 16 in the profit or loss:

	2019 £000
Interest on lease liabilities	**1,395**
Depreciation charge for the year on right of use assets	**4,710**
Expenses relating to short-term leases	**76**

During 2018 the following leases were recognised under IAS 17 in the profit or loss:

	2018 £000
Lease expense	5,354

Amounts recognised in statement of cash flows

During 2019 the following lease payments were recognised in the statement of cash flows:

	2019 £000
Total cash outflow for leases	**5,061**

22. Related party transactions

Group

Related party balances as at each year end were as follows:

	Key management personnel £000	Total £000
As at 31 December 2019 and 2018:		
Trade	—	—
	—	—

Remuneration for directors has been disclosed in note 10 along with the statement of profit or loss and other comprehensive income charges in the year and in the remuneration report.

Summary of transactions

Key management, defined as permanent members of the board plus all non-executive directors, were awarded the following compensation for the financial year:

	2019 £000	2018 £000
Remuneration		
Salaries and performance-related bonus	**1,628**	2,057
Pension-related benefits	**110**	128
Share based payments	**(306)**	426
	1,432	2,611

The number of key management during the year was 6 (2018: 7).

22. Related party transactions continued

Company

Related party balances as at each year end were as follows:

	Arrow Global Group Holdings Limited £000	**Arrow Global Limited £000**	**Arrow Global One Limited £000**	**Vesting Finance Detachering B.V. £000**	**Total £000**
As at 31 December 2019					
Due from subsidiary undertakings	**—**	**—**	**212,495**	**40**	**212,535**
Due to subsidiary undertakings	**(1,367)**	**(151)**	**—**	**—**	**(1,518)**
	(1,367)	**(151)**	**212,495**	**40**	**211,017**

	Arrow Global Group Holdings Limited £000	Arrow Global Limited £000	Arrow Global One Limited £000	Vesting Finance Detachering B.V. £000	Total £000
As at 31 December 2018					
Due from subsidiary undertakings	—	—	222,331	40	222,371
Due to subsidiary undertakings	(1,367)	(686)	—	—	(2,053)
	(1,367)	(686)	222,331	40	220,318

The material receivable balance due from subsidiary undertakings from Arrow Global One Limited relates primarily to final dividends declared by Arrow Global One Limited in 2018. In the current period, the movement in this balance relate primarily to the partial settlement in cash of this receivable. Balances relate to intercompany loans that are repayable on demand and are therefore held as current liabilities or assets. No 'other' transactions occurred between the related parties, excluding those disclosed above.

As a loan repayable on demand, expected credit losses were estimated on the assumption that repayment of the loan is demanded at the reporting date. It was assessed that loan was not in default as (i) the repayment had not been demanded, and (ii) the subsidiary was considered to be performing.

The maximum period over which expected impairment losses were measured was the period needed to transfer the cash once demanded. As at 31 December 2019, Arrow Global One Limited could repay the outstanding balance of the receivable within six months, with the majority of the payment being received immediately. Therefore, the expected credit loss was limited to the effect of discounting the amount due on the balance over this period. As the expected repayment schedule is short, discounting at the receivable's effective interest rate did not result in a material expected credit loss.

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

23. Investments in subsidiaries and associate

Details of the Company's subsidiaries at 31 December 2019 are as follows:

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Agenda Management Services Limited	UK – England and Wales	Note 1	100	Trading	DFS
AGG Capital Management (Holdco) Limited (ACM(H)L)	UK – England and Wales	Note 2	100	Trading	AGGP
AGL Fleetwood Limited	UK – England and Wales	Note 2	100	Trading	AFTL
AGL Fleetwood Topco Limited (AFTL)	UK – England and Wales	Note 2	100	Trading	AGIHL
Arrow Global (Holdings) Limited (AG(H)L)	UK – England and Wales	Note 2	100	Trading	AGIHL
Arrow Global Accounts Management Limited	UK – England and Wales	Note 2	100	Trading	AGL
Arrow Global Adviser Limited	UK – England and Wales	Note 2	100	Trading	AGIHL
Arrow Global Europe Limited	UK – England and Wales	Note 2	100	Trading	AGIHL
Arrow Global Finance Plc	UK – England and Wales	Note 2	100	Trading	AGIHL
Arrow Global Guernsey Limited	UK – England and Wales	Note 2	100	Dormant	AG(H)L
Arrow Global Investments Holdings Limited (AGIHL)	UK – England and Wales	Note 2	100	Trading	AGGHL
Arrow Global Legh Limited	UK – England and Wales	Note 2	100	Dormant	AG(H)L
Arrow Global Limited (AGL)	UK – England and Wales	Note 2	100	Trading	AG(H)L
Arrow Global Luna Limited	UK – England and Wales	Note 2	100	Trading	AG(H)L
Arrow Global Management Limited	UK – England and Wales	Note 2	100	Dormant	AG(H)L
Arrow Global Massey Limited	UK – England and Wales	Note 2	100	Dormant	AG(H)L
Arrow Global One Limited (AGOL)	UK – England and Wales	Note 2	100	Trading	AGGP
Arrow Global Portugal Investments Limited	UK – England and Wales	Note 2	100	Trading	AGL
Arrow Global Portugal Limited	UK – England and Wales	Note 2	100	Trading	AG(H)L
Arrow Global Receivables Management Limited	UK – England and Wales	Note 2	100	Trading	AG(H)L
Arrow SMA LP Limited	UK – England and Wales	Note 2	100	Trading	AGIHL
Bergen Capital Management Limited	UK – England and Wales	Note 2	100	Trading	MAL
Capquest Asset Management Limited	UK – England and Wales	Note 2	100	Dormant	CGL
Capquest Debt Recovery Limited (CDRL)	UK – England and Wales	Note 2	100	Trading	CGL
Capquest Debt Recovery Services Limited	UK – England and Wales	Note 2	100	Dormant	CGL
Capquest Group Limited (CGL)	UK – England and Wales	Note 2	100	Trading	QNL

23. Investments in subsidiaries and associate continued

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Capquest Investments 2 Limited	UK – England and Wales	Note 2	100	Dormant	CGL
Capquest Investments Limited	UK – England and Wales	Note 2	100	Trading	CGL
Capquest Limited	UK – England and Wales	Note 2	100	Dormant	CGL
Capquest Mortgage Servicing Limited	UK – England and Wales	Note 2	100	Trading	CGL
Capquest UK Limited	UK – England and Wales	Note 2	100	Dormant	CGL
Care Debt Management Limited	UK – England and Wales	Note 2	100	Dormant	CGL
Data Verification Services Limited	UK – England and Wales	Note 2	100	Dormant	CGL
Drydens Limited (DFS)	UK – England and Wales	Note 1	100	Trading	AGL
Erudio Customer Management Limited	UK – England and Wales	Note 2	100	Dormant	AG(H)L
Mars Acquisition Limited (MAL)	UK – England and Wales	Note 2	100	Trading	AGIHL
Mars Capital Finance Limited	UK – England and Wales	Note 2	100	Trading	MAL
Mars Capital Management Limited	UK – England and Wales	Note 2	100	Trading	MAL
Quest Bidco Limited (QBL)	UK – England and Wales	Note 2	100	Trading	QTL
Quest Newco Limited (QNL)	UK – England and Wales	Note 2	100	Trading	QBL
Quest Topco Limited (QTL)	UK – England and Wales	Note 2	100	Trading	AGIHL
Western Acquisition Holdings Limited	UK – England and Wales	Note 2	50	Trading	AGL
Mars Capital Management Ireland DAC	Republic of Ireland	Note 3	100	Trading	MAL
Mars Capital Finance Ireland DAC	Republic of Ireland	Note 3	100	Trading	MAL
Arrow Global Debt Limited (AGDL)	Guernsey	Note 4	100	Dormant	AGGHL
Arrow Global Guernsey Limited	Guernsey	Note 4	100	Dormant	AGIHL
Arrow Global Guernsey Holdings Limited (AGGHL)	Guernsey	Note 4	100	Trading	AGOL
Arrow Global Guernsey Management Limited	Guernsey	Note 4	100	Dormant	AGDL
AGG Capital Management Limited (ACML)	Jersey	Note 5	100	Trading	ACM(H)L
Arrow Global Investments Holdings Italia S.R.L. (AGIHIS)	Italy	Note 6	100	Trading	AGIHL
Zenith Service S.p.A. (ZSS)	Italy	Note 6	100	Trading	AGIHIS
Structured Finance Management – Italy S.R.L.	Italy	Note 6	50	Trading	ZSS

23. Investments in subsidiaries and associate continued

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Arrow Global Italia S.R.L. (AGIS)	Italy	Note 6	100	Trading	AGIHL
VAR Reoco S.R.L.	Italy	Note 6	100	Trading	AGIS
Europa Investimenti Spa (EIS)	Italy	Note 7	71.80	Trading	AGIS
Europa Investimenti Trading S.R.L. (EITS)	Italy	Note 7	100	Trading	EIS
Fieramosca Dieci S.R.L.	Italy	Note 7	100	Trading	EIS
Sagitta SGR Spa	Italy	Note 7	95.64	Trading	EIS
Europa Investimenti Aziende S.R.L. (EIAS)	Italy	Note 7	100	Trading	EIS
Europa Investimenti Gestione Attivi S.R.L.	Italy	Note 7	100	Trading	EIS
Lanzone Due S.R.L.	Italy	Note 7	100	Trading	EIS
Lanzone Cinque S.R.L.	Italy	Note 7	100	Trading	EIS
Europa Investimenti Corporate Finance S.R.L.	Italy	Note 7	100	Trading	EIS
Lanzone Diciannove S.R.L.	Italy	Note 7	100	Trading	EIS
Lanzone Quattordici S.R.L.	Italy	Note 7	51	Trading	EIS
Lanzone Dodici S.R.L.	Italy	Note 7	100	Trading	EIS
Lanzone Ventidue S.R.L.	Italy	Note 7	100	Trading	EIS
Lanzone Quindici S.R.L.	Italy	Note 7	100	Trading	EIS
Lanzone Ventuno S.R.L.	Italy	Note 8	100	Trading	EIS
Whitestar S.R.L (WS)	Italy	Note 9	100	Trading	AGIS
New Call S.R.L.	Italy	Note 9	100	Trading	WS
Giardini di Sacro Monte Eco-Immobiliare S.r.l.	Italy	Note 6	100	Trading	AGIS
Etna SPV S.R.L	Italy	Note 6	0	Trading	N/A
Forest SPV S.R.L	Italy	Note 6	0	Trading	N/A
Haywave SPV S.R.L	Italy	Note 6	0	Trading	N/A
Leonardo Investment Opportunities	Italy	Note 11	0	Trading	N/A
SPV Project 156 S.R.L	Italy	Note 12	0	Trading	N/A
SPV Project 158 S.R.L	Italy	Note 11	0	Trading	N/A
SPV Project 1608	Italy	Note 11	0	Trading	N/A
SPV Project 1713 S.R.L	Italy	Note 11	0	Trading	N/A
Vulcan SPV S.R.L	Italy	Note 11	0	Trading	N/A
Zeus Finance S.R.L	Italy	Note 10	0	Trading	N/A
PARR SH. P.K.	Albania	Note 13	20	Trading	WS
Strzala Sp. z o.o.	Poland	Note 14	100	Dormant	AG(H)L/AGL
Capquest Debt Recovery S.A (pty) Limited	South Africa	Note 15	100	Dormant	CDRL
AGHL Portugal Investments Holdings, S.A. (AGHLPIH)	Portugal	Note 16	100	Trading	AGIHL

23. Investments in subsidiaries and associate continued

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Redrock Capital Partners, S.A.	Portugal	Note 17	100	Trading	AGHLPIH
Sandalgreen, Assets, S.A.	Portugal	Note 16	100	Trading	AGHLPIH
Whitestar Asset Solutions, S.A.	Portugal	Note 16	100	Trading	AGHLPIH
Hefesto STC, S.A.	Portugal	Note 16	100	Trading	AGHLPIH
Norfin Investimentos, S.A.(NISA)	Portugal	Note 18	100	Trading	AGHLPIH
Norfin SGFII	Portugal	Note 18	100	Trading	NISA
Norfin – Serviços, S.A	Portugal	Note 18	100	Trading	NISA
Sucesso Delicado, S.A.	Portugal	Note 16	100	Trading	AGHLPIH
Transitorysphere – Unipessoal LDA	Portugal	Note 16	100	Trading	AGHLPIH
Benefitpossibility – Unipessoal LDA	Portugal	Note 16	100	Trading	AGHLPIH
Every Possibilities – Unipessoal LDA (EPUL)	Portugal	Note 16	100	Trading	AGHLPIH
Esfera Civilizada SA	Portugal	Note 16	100	Trading	EPUL
Amstelveste Vastgoed B.V.	the Netherlands	Note 19	100	Trading	AGIHB/VFS
Arrow Global Investments Holdings Benelux B.V. (AGIHB)	the Netherlands	Note 19	100	Trading	AGIHL
Focum Groep B.V. (FG)	the Netherlands	Note 19	100	Trading	AGIHB
Focum Solutions B.V.	the Netherlands	Note 19	100	Trading	FG
Fiditon Holding B.V. (FH)	the Netherlands	Note 19	100	Trading	AGIHB
Focum Commerce B.V.	the Netherlands	Note 19	100	Trading	FG
Focum Finance B.V.	the Netherlands	Note 19	100	Trading	FG
Incassobureau Fiditon B.V.	the Netherlands	Note 19	100	Trading	FH
Universum Inkasso B.V. (UI)	the Netherlands	Note 19	100	Non-Trading	AGIHB
Vesting Finance Detachering B.V.	the Netherlands	Note 19	100	Trading	VFH
Vesting Finance Holding B.V. (VFH)	the Netherlands	Note 19	100	Trading	AGIHB
Vesting Finance Incasso B.V.	the Netherlands	Note 19	100	Trading	VFH
Vesting Finance Servicing B.V. (VFS)	the Netherlands	Note 19	100	Trading	AGIHB
Arrow Global Benelux (Holdings) B.V. (AGBH)	the Netherlands	Note 19	100	Trading	AGIHB
Spark Hypotheken B.V.	the Netherlands	Note 19	100	Trading	AGLH
KU88 B.V.	the Netherlands	Note 19	100	Trading	AGLH
Arrow Global Luxembourg (Holdings) S.á.r.l. (AGLH)	Luxembourg	Note 20	100	Trading	AGBH
Bow Advisers S.á r.l	Luxembourg	Note 21	100	Trading	ACML
Bow (SMA)Advisers S.á r.l	Luxembourg	Note 21	100	Trading	ACML
Bow (Co-invest)Advisers S.á r.l	Luxembourg	Note 21	100	Trading	ACML
Focum Belgium (BVBA)	Belgium	Note 22	100	Trading	AGIHB/FG

23. Investments in subsidiaries and associate continued

All subsidiaries are included in the Group consolidation, including where the Group does not own 100% of the ordinary shares of the Company. This may arise where the Group exercises control over the relevant activity of the entity and can use this control to impact the variability of returns from the entity. The Group at times, must exercise judgement as to whether the combination of control and exposure to variability of returns arising from an entity means it is acting primarily as an agent, or as a principal for its own interests and should therefore consolidate the entity into the results of the Group. There have been no instances in the period where significant judgement was applied to reach a conclusion over whether or not an entity should be consolidated or not. The Group did not consolidate any entity which individually had material non-controlling interest balances, and as such, no further disclosure on non-controlling interests have been provided in this note.

Financial support given to structured entities

During the year, the Group issued no guarantees (2018: nil) to holders of notes issued by structured entities that the Group consolidates.

Notes	Registered addresses
Note 1	4th Floor, Fairfax House, Merrion Street, Leeds, LS2 8BX
Note 2	Belvedere, 12 Booth Street, Manchester M2 4AW
Note 3	Grand Canal House, 1 Grand Canal Street Upper, Dublin 4 D04 Y7R5
Note 4	First Floor, Albert House, South Esplanade, St Peter Port, Guernsey
Note 5	27 Esplanade, St Helier, Jersey, JE1 1SG
Note 6	Via V. Betteloni 2, 20131 Milan
Note 7	Via Lanzone 31, 20123 Milan
Note 8	Via Niccolo Tommaseo 68, 35131 – Padova
Note 9	Via Pieve Torina, 44-46/a, 00156 Rome
Note 10	Foro Bonaparte 70, 20121 Milan
Note 11	Via A.Pestalozza 12/14, 20131 Milan
Note 12	Via G.Fara 26, 20124 Milan
Note 13	Kryqezimi i Rruges Irfan, Tomini me Bulevardin, Gjergj Fishta – Tirana
Note 14	Al. Jerozolimskie nr 148, 02-326, Warszawa
Note 15	Office Suite 15, Canal Edge 1, Tyger Waterfront, Carl Cronje Drive, Bellville, Western Cape, 7530, South Africa
Note 16	Edifício D. Sebastião, Rua Quinta do Quintã, nº 6, Quinta da Fonte, 2770 203 Paço de Arcos, Portugal
Note 17	Edifício Q54 D. José, Rua Quinta do Quintã, nº1,Piso 0, Fracção B, Quinta da Fonte, Oeiras, Portugal
Note 18	Avenida da República, nº 35, 4º, 1050-186,Lisboa – Portugal
Note 19	Asch van Wijckstraat 55F, 3811 LP Amersfoort, the Netherlands
Note 20	15 Boulevard Friedrich Wilhelm Raiffeisen, L-2411 Luxembourg
Note 21	6D, route de Treves, L-2633 Senningerberg, Grand Duchy of Luxembourg
Note 22	Nijverheidsstraat 70, 2160 Wommelgem

Company: investment in subsidiaries	**Arrow Global One Limited £000**	**Total £000**
At 31 December 2018 and 31 December 2019	**307,500**	**307,500**

The investments in subsidiaries are all stated at cost less accumulated impairment.

24. Portfolio investments

Split of portfolio investments by period:

	2019 £000	2018 £000
Expected falling due after one year	**916,123**	841,890
Expected falling due within one year	**247,501**	245,140
Total	**1,163,624**	1,087,030

24. Portfolio investments continued

Purchased portfolio investments

The Group recognises income from portfolios investments in accordance with IFRS 9 from 1 January 2018.

The movements in portfolio investments were as follows:

As at 31 December 2019

	Financial instruments			
	Amortised cost £000	**FVTPL £000**	**Real estate inventories £000**	**Total £000**
As at the year brought forward	**869,056**	**217,974**	**—**	**1,087,030**
Portfolios purchased during the year	**248,470**	**30,052**	**25,165**	**303,687**
Transfer between categories	**11,483**	**(55,262)**	**43,779**	**—**
Collections in the year	**(390,734)**	**(48,034)**	**(3,543)**	**(442,311)**
Income from portfolio investments at amortised cost	**199,094**	**—**	**—**	**199,094**
Fair value gain on portfolio investments at FVTPL	**—**	**32,397**	**—**	**32,397**
Income from portfolio investments – real estate inventories	**—**	**—**	**561**	**561**
Net impairment gain	**12,720**	**—**	**(6)**	**12,714**
Exchange and other movements	**(4,729)**	**(7,328)**	**(4,330)**	**(16,387)**
Portfolio restructure	**(13,161)**	**—**	**—**	**(13,161)**
As at the year end	**932,199**	**169,799**	**61,626**	**1,163,624**

Transfer between categories represents positions where the Group has originally held one type of instrument relating to a portfolio, and subsequently increased or changed its interest in the portfolio, leading to the requirement to consolidate the underlying structure onto the Group's balance sheet. This leads to a change in the classification of the portfolio investment held. The 'portfolio restructure' represents the restructure of a leveraged structured deal to move to a de-levered position, and hence change the nature of the holding whilst extinguishing related liabilities. Note that for real estate inventories, which are not financial instruments, the collections figure above is analogous to total sales of inventories, and the net of collections and income from portfolio investments – real estate inventories, is analogous to cost of sales of inventories. Sales of inventories are accounted for as revenue under IFRS 15, as they are not financial instruments, but are presented alongside the other portfolio investments for ease of reference.

As at 31 December 2018

	Financial instruments			
	Amortised cost £000	FVTPL £000	Real estate inventories £000	Total £000
As at the year brought forward	920,578	30,889	—	951,467
Impact of adopting IFRS 9 at 1 January 2018	(93,734)	76,734	—	(17,000)
Brought forward after impact of adopting IFRS 9 opening adjustment	826,844	107,623	—	934,467
Portfolios purchased during the year	169,514	93,836	—	263,350
Portfolio additions from acquired entities	3,339	8,514	—	11,853
Collections in the year	(387,699)	(23,889)	—	(411,588)
Income from portfolio investments at amortised cost	188,862	5,070	—	193,932
Fair value gain on portfolio investments at FVTPL	—	24,745	—	24,745
Net impairment gain	50,727	—	—	50,727
Exchange and other movements	17,469	2,075	—	19,544
As at the year end	869,056	217,974	—	1,087,030

24. Portfolio investments continued

The impact of IFRS 9 shown above is pre-tax. The post-tax impact is £14,000,000. The closing IFRS 9 position has not been shown in the table above, as post-implementation the impact of IFRS 9 is subsumed within the net impairment gain, and within income from portfolio investments at amortised cost.

The estimated future cash flows generated by portfolio investments are the key estimates/judgements in these financial statements. Flexing the expected future gross cash flows by -1/+1% would impact the closing carrying value of the portfolio investments as at 31 December 2019 by £11,020,000 (31 December 2018: £10,870,000). Note that this sensitivity applies only to ‘Amortised Cost’ and ‘FVTPL’ portfolio investments, as this is not a critical estimate for Real Estate portfolio assets.

25. Risks arising from financial instruments

Risk management

Credit risk

The Group’s principal activity is the acquisition and management of non-performing and non-core consumer and commercial unsecured, secured and real estate portfolios. Most portfolios by their nature are impaired at acquisition and the Group continually monitors cash collections that in turn inform the ERCs on which the portfolio carrying value is calculated. The ongoing risk is managed through a portfolio valuation process including modelling current expectations of recoverability based on historical information of debt types, also factoring in sale recoveries from collateral held on the secured portfolios. Further details of the forecasting process are given in note 4.ii.

A pricing credit committee is in place which includes at least two members of the executive committee as well as other key members from appropriate areas of the business, including oversight by the risk management function. The Group also monitors its exposure to geographic concentration of assets. This process exists to scrutinise all aspects of a portfolio acquisition from reputational and regulatory risk through to the financial assumptions and maximum bid price.

Where portfolio investments are measured at amortised cost using the EIR method, as part of the regular monitoring process, the future cash flows in the ERCs are updated, with impairment gains/losses as a result of changes to the estimated cash flows discounted at the EIR rate. Where portfolio investments are measured at FVTPL, they are measured using a discounted cash flow model.

With the introduction of IFRS 9 in 2018, the Group’s management of credit risk is now further enhanced through the modelling of multiple economic scenarios and the impact this is expected to have on future collections performance. All of the Group’s portfolio investments have been classified as POCI, due to their credit-impaired nature at the date of purchase. Therefore, no consideration has been given to the staging requirements of IFRS 9 for the Group’s portfolio assets.

In the UK, the Group constructed its own proprietary data repository in 2005 and has added additional historic data on credit performance in the markets in which it operates. It now has tens of millions of records. This is used to inform collections strategies and to help establish affordable repayment plans and settlements with our customers across all geographies.

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.

Credit quality analysis

The Group’s purchased portfolio investments have been classified as purchased or originated as credit impaired (POCI) as they include financial instruments that were credit-impaired at initial recognition, irrespective of whether they are still credit-impaired at the reporting date. Expected credit losses (ECL) against POCI exposures are always calculated on a lifetime basis (cumulative changes in ECL since initial recognition), and are reflected in the credit-adjusted effective interest rate at initial recognition. As a result, no loss allowance is recognised at

25. Risks arising from financial instruments continued

inception. Subsequently, any changes in lifetime ECL after initial recognition are recognised in profit or loss. The ECL calculation for POCI assets is based on an ECL over 84 months.

In determining ECLs the assessment of forward-looking economic assumptions, which are sourced from an independent specialist forecasting company, the Group considers a number of macroeconomic scenarios, including assumptions on unemployment, interest rates and CPI, and where appropriate HPI. These scenarios are probability weighted according to their likely occurrence. The scenarios include a central scenario, based on the current economic environment, as well as upside and downside scenarios. The estimation and application of this forward-looking information requires significant judgement and is subject to appropriate internal governance.

Impairment gains/losses are changes to carrying values, discounted at the EIR rate, of the acquired debt portfolios as a result of reassessments of their estimated future cash flows and are recognised in the line item 'impairment gains on portfolio investments at amortised cost'.

As all of the Group's amortised cost portfolio assets are POCI, the cash flows are subject to reassessment each period. For any portfolios which may be sold to a third-party from time to time, these are first subject to a cash flow reassessment. Expected cash flows in such a scenario would be linked to the likely sale proceeds, meaning that all such assets would be written to their expected selling price via an impairment gain/loss, before being sold.

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated the amounts in the table represent gross carrying amounts.

	Stage 1 – 3 £000	POCI £000	Total £000	2018 £000
Portfolio investments – amortised cost	—	932,199	932,199	869,056
Loss allowance	—	N/A	N/A	N/A
Carrying amount	—	932,199	932,199	869,056

The following table sets out a geographical analysis of all portfolio investments:

	2019 **£000**	2018 £000
All portfolio balances		
UK and Ireland	**452,584**	468,786
Netherlands	**157,350**	168,025
Portugal	**295,695**	304,893
Italy	**257,995**	145,326
Total	**1,163,624**	1,087,030

The following table sets out further credit analysis for portfolio investments measured at amortised cost:

	Secured £000	Unsecured £000	Total £000	2018 £000
Amortised cost portfolio balances				
UK and Ireland	55,348	352,028	407,376	403,138
Netherlands	1,989	64,820	66,809	75,421
Portugal	87,506	162,388	249,894	300,694
Italy	95,244	112,876	208,120	89,803
Total	240,087	692,112	932,199	869,056

Portfolio balances are based on the customer's country of domicile.

The Group's maximum exposure to credit risk on portfolio investments is considered equal to the current carrying balance of such portfolio investments.

25. Risks arising from financial instruments continued

Information on collateral held against amortised cost secured loans

The following table stratifies credit exposures from secured portfolio investments held at amortised cost by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral is based on the most recent appraisals. LTV stratification is deemed a more relevant measure of the value of collateral held against secured loans than gross collateral values held, which may include an amount which is not due to the Group upon realisation. Comparative information for 2018 was not available in a comparable format.

	2019 £000
LTV Ratio	
Less than 50%	**89,119**
51-70%	**21,796**
71-90%	**16,986**
91-100%	**12,263**
More than 100%	**99,923**
Total	**240,087**

Other types of credit enhancements

In addition to the collateral included in the tables above, the Group holds other types of collateral and credit enhancements, such as second charges and floating charges for which specific values are not generally available

Assets obtained by taking possession of collateral

There have been no instances of financial or non-financial assets obtained by the Group during the year by taking possession of collateral held as security against portfolio investments.

The Group's policy is to pursue timely realisation of the collateral in an orderly manner. The Group does not generally use the non-cash collateral for its own operation.

Significant increase in credit risk

There are no significant increases or decreases in credit risk since origination as all portfolio investments have been deemed to be purchased or originated credit impaired on initial recognition.

Cash and cash equivalents

As part of credit risk, the Group is subject to counterparty risk in respect of the cash and cash equivalents held on deposit with banks and foreign currency and derivative financial instruments. Counterparty risk with debt sellers is managed through contractual arrangements and warranties.

The Group generally deposits cash and undertakes currency and derivative transactions with highly rated banks, with limits on the level of exposure to any one institution. Institutions with lower credit ratings can only be used with board approval.

No collateral or credit enhancements are held in respect of any financial derivatives. The maximum credit risk on derivatives and trade receivables is the full carrying amount. The maximum exposure to counterparty risk is as follows:

	2019 £000	2018 £000
Cash and cash equivalents	**88,765**	92,001

25. Risks arising from financial instruments continued

The table represents a worst-case scenario of the counterparty risk that the Group is exposed to. The 31 December 2019 balance is spread across a number of counterparties with the top five accounting for 57% of the total (2018: 72%). The maximum exposure to one counterparty is £16 million (2018: £47 million).

The cash and cash equivalents are held with banks and financial institution counterparties whose external credit ratings, by either S&P Global Ratings or Moody's Investor Service, are as follows:

	2019 %	2018 %
AA	**23**	—
A	**34**	59
Below A	**43**	41
Total cash and cash equivalents	**100**	100

Incorporation of forward looking information

Note 4 includes a description of how the future cash flows are estimated for the Group's portfolio investments. Additionally, the Group incorporates forward looking information in the measurement of portfolio investments held at amortised cost. The Group formulates six economic scenarios: a base case, which is the central scenario, developed based on consensus forecasts, and five less likely scenarios – two upside, one stagnation and two downside scenarios.

These scenarios are calculated by an external and independent macroeconomic forecasting company, and are reviewed internally before being used in the Group's models. To derive these scenarios, multiple sources of information are considered, including economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the Organisation for Economic Cooperation and Development (OECD) and the International Monetary Fund, and selected private-sector and academic forecasts.

The Group has identified and documented key drivers of credit risk for its portfolio investments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The key drivers for credit risk for portfolio investments are: CPI growth, price indices, unemployment rates and interest rates. For exposures to specific regions, the key drivers also include relevant real estate prices.

The Group estimates each key driver for credit risk over the active forecast period of four years. This is followed by a period of mean reversion of three years. A limitation of the approach which has been taken by the Group in estimating the impact of multiple economic scenarios is that the correlations between macro-economic variables and credit risk have been calculated using UK macro-economic data and UK historic portfolio performance but applied to the wider population of amortised cost portfolios held across Europe. The exception to this is in Portugal for secured assets, where specific correlations between Portuguese HPI and credit risk have been calculated and used. Despite such limitations, the Group believes that this approach provides a materially correct estimate of the impact of future economic scenarios across the Group.

25. Risks arising from financial instruments continued

The economic scenarios used as at 31 December 2019 included the following key indicators for the UK (unemployment rates, interest rates, CPI growth, HPI growth) and Portugal (house prices) for the years ending 31 December 2019 to 2023.

UK	Scenario	Probability	**2019**	2020	2021	2022	2023
Unemployment rates	Base	50%	**3.8%**	3.8%	3.7%	3.7%	3.6%
	Upside	10%	**3.8%**	3.3%	2.4%	2.0%	1.9%
	Mild upside	10%	**3.8%**	3.7%	3.3%	3.3%	3.2%
	Stagnation	10%	**3.8%**	4.5%	5.2%	5.8%	5.8%
	Downside	10%	**3.8%**	4.5%	5.3%	6.0%	6.0%
	Severe downside	10%	**3.8%**	4.6%	5.6%	6.3%	6.4%
Interest rates	Base	50%	**0.8%**	0.7%	1.0%	1.2%	1.5%
	Upside	10%	**0.8%**	1.4%	2.1%	2.5%	3.0%
	Mild upside	10%	**0.8%**	1.1%	1.6%	2.0%	2.3%
	Stagnation	10%	**0.8%**	0.5%	0.4%	0.8%	1.0%
	Downside	10%	**0.8%**	0.3%	0.3%	0.5%	0.8%
	Severe downside	10%	**0.8%**	0.2%	0.1%	0.1%	0.3%
CPI growth	Base	50%	**1.8%**	1.6%	1.5%	1.8%	1.9%
	Upside	10%	**1.8%**	2.4%	3.1%	2.9%	1.9%
	Mild upside	10%	**1.8%**	2.1%	2.4%	2.5%	1.8%
	Stagnation	10%	**1.8%**	1.1%	0.5%	1.3%	1.8%
	Downside	10%	**1.8%**	0.9%	0.1%	1.1%	1.8%
	Severe downside	10%	**1.8%**	0.6%	(0.5%)	0.8%	1.9%
HPI growth	Base	50%	**1.0%**	2.0%	2.5%	3.1%	3.4%
	Upside	10%	**1.0%**	10.6%	8.1%	11.1%	3.0%
	Mild upside	10%	**1.0%**	7.0%	5.6%	8.4%	3.1%
	Stagnation	10%	**1.0%**	(4.3%)	(3.8%)	(1.3%)	3.8%
	Downside	10%	**1.0%**	(7.1%)	(6.5%)	(4.0%)	4.0%
	Severe downside	10%	**1.0%**	(11.6%)	(11.6%)	(9.4%)	4.4%
Portugal			**2019**	2020	2021	2022	2023
House prices	Base	50%	**9.6%**	2.8%	2.2%	2.3%	2.4%
	Upside	10%	**9.6%**	13.8%	7.7%	6.6%	2.0%
	Mild upside	10%	**9.6%**	9.8%	5.8%	5.1%	2.1%
	Stagnation	10%	**9.6%**	(1.7%)	(0.4%)	0.1%	2.5%
	Downside	10%	**9.6%**	(4.1%)	(2.0%)	(1.3%)	2.7%
	Severe downside	10%	**9.6%**	(8.2%)	(4.7%)	(3.8%)	2.9%

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 10 years. Where correlations have not been calculated for a specific country in which the Group operates, the closest comparable correlation from another country is used.

Treasury related risks

The board approves treasury policies and the treasury function manages the day-to-day operations. The board delegates certain responsibilities to the Asset and Liability committee, which is chaired by the Group chief financial officer, and is empowered to take decisions within that delegated authority. Treasury activities and compliance with treasury policies are reported to the board on a regular basis and are subject to periodic independent reviews and audits, both internal and external. Treasury policies are designed to manage the main financial risks faced by the Group in relation to funding and liquidity risks, counterparty credit risk and market risks being interest rate risk and foreign currency risk. This is to ensure the Group is properly funded, that financial counterparties are of appropriate credit quality and that interest rate and currency risks are managed within set limits. Policies also set out the specific instruments that can be used for risk management.

The treasury function enters into derivative transactions, principally interest rate swaps, currency swaps and forward currency contracts. The purpose of these transactions is to manage the interest rate and currency risks arising from the Group's business operations. No transactions of a speculative nature are undertaken, and written

25. Risks arising from financial instruments continued

options may only be used when matched by purchased options. No written options were entered into during 2019 (2018: £nil).

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by cash or another financial asset.

The Group is subject to the risk that it will not have sufficient borrowing facilities to fund its existing business and its future plans for growth. The treasury policy adopted by the Group serves to reduce this risk by setting a specific policy parameter that there are sufficient committed debt facilities and cash and cash equivalents to meet contractual maturities on borrowing facilities plus an operational headroom. In addition, the Group aims to ensure that leverage is within the target range of 3.0 to 3.5 times, there is an appropriate refinancing profile with phased maturity dates and it has diversified funding sources with no over-reliance on a single or small group of lenders or type of funding. At 31 December 2019, the Group's senior secured notes, revolving credit facility and asset backed security transaction had an average period to maturity of 4.8 years (2018: 5.8 years). Total cash and undrawn facilities as at 31 December 2019 were £153 million (2018: £131 million).

The treasury function monitors cash through daily reporting, the management accounts and periodic review meetings. Management has well established models used to predict collectability of cash receipts and this represents a key performance indicator of the business. The Group is highly cash generative with regular cash receipts and portfolio purchases (except forward flows) are discretionary, which helps to mitigate liquidity risk.

The key measure used by the Group for managing liquidity risk is liquidity headroom, which includes cash and cash equivalents and the headroom under the two committed facilities, being the revolving credit facility and the asset backed security facility. Details of the liquidity headroom as at the reporting date and during the reporting period were as follows.

	2019 **£000**	2018 £000
At 31 December	**152,874**	131,000
Average for the period	**138,061**	184,000
Maximum for the period	**198,888**	273,000
Minimum for the period	**109,257**	130,000

25. Risks arising from financial instruments continued

Maturity analysis

The table below sets out the remaining contractual maturities of the Group's financial liabilities and financial assets and includes both interest and principal cash flows, payable over the contractual life of the non-derivative financial liabilities.

Group As at 31 December 2019	Less than 1 month £000	Within 1 year £000	1-2 years £000	3-5 years £000	More than 5 years £000	Total £000
Financial liability by type:						
Trade and other payables	**21,037**	**123,922**	**31,206**	**23,413**	**1,018**	**200,596**
Lease liabilities	**23**	**5,194**	**4,347**	**9,267**	**5,029**	**23,860**
€400 million secured senior note (2.875% plus 3-month EURIBOR)	**842**	**9,103**	**9,918**	**29,780**	**341,840**	**391,483**
€285 million secured senior note (3.75% plus 3-month EURIBOR)	**—**	**9,242**	**9,217**	**27,676**	**253,126**	**299,261**
£320 million secured senior note (5.125%)	**—**	**16,445**	**16,400**	**363,763**	**—**	**396,608**
Revolving credit facility[1]	**498**	**5,385**	**5,867**	**246,409**	**—**	**258,159**
Asset-backed securitisation	**276**	**2,979**	**15,071**	**78,393**	**—**	**96,719**
Other borrowings	**—**	**2,695**	**41**	**936**	**—**	**3,672**
Bank overdrafts	**1,386**	**—**	**—**	**—**	**—**	**1,386**
Total financial liabilities	**24,062**	**174,965**	**92,067**	**779,637**	**601,013**	**1,671,744**
Financial asset by type:						
Cash and cash equivalents	**88,765**	**—**	**—**	**—**	**—**	**88,765**
Portfolio investments (excluding REOs)	**31,420**	**339,856**	**324,294**	**691,327**	**324,406**	**1,711,303**
Total financial assets	**120,185**	**339,856**	**324,294**	**691,327**	**324,406**	**1,800,068**

1. Reflects all drawings at 31 December 2019 being held to the facility maturity date of 4 January 2024.

Group As at 31 December 2018	Less than 1 month £000	Within 1 year £000	1-2 years £000	3-5 years £000	More than 5 years £000	Total £000
Financial liability by type:						
Trade and other payables	—	145,181	26,255	12,426	13,795	197,657
Lease liabilities	—	—	—	—	—	—
€400 million secured senior note (2.875% plus 3-month EURIBOR)	890	9,676	11,964	43,643	379,833	446,006
€285 million secured senior note (3.75% plus 3-month EURIBOR)	—	9,800	10,803	37,912	287,804	346,319
£320 million secured senior note (5.125%)	—	16,400	16,400	49,200	331,616	413,616
Other borrowings	—	8,978	2,978	—	—	11,956
Bank overdrafts	2,696	—	—	—	—	2,696
Revolving credit facility[1]	743	8,703	10,195	268,317	—	287,958
Total financial liabilities	4,329	198,738	78,595	411,498	1,013,048	1,706,208
Financial asset by type:						
Cash and cash equivalents	92,001	—	—	—	—	92,001
Portfolio investments (excluding REOs)	16,834	199,371	198,339	285,807	934,434	1,634,785
Total financial assets	108,835	199,371	198,339	285,807	934,434	1,726,786

1. Reflects all drawings at 31 December 2018 being held to the facility maturity date of 2 January 2023.

25. Risks arising from financial instruments continued

The above tables includes a maturity analysis for financial assets that it holds as part of managing liquidity risk – e.g. financial assets that are expected to generate cash inflows to meet cash outflows on financial liabilities – to enable the user to evaluate the nature and extent of the Group's and the Company's liquidity risk

As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents which can be readily used to meet liquidity requirements. In addition, the Group maintains agreed lines of credit with other banks.

The non-derivative financial liabilities and financial assets are calculated based upon the undiscounted cash flows, which include estimated interest payments. The analysis above includes the contractual cash flow for borrowings and the total amount of interest payable over the life of the loan. Where borrowings are subject to a floating rate, an estimate of interest payable is taken. The rate is derived from interest rate yield curves at the statement of financial position date.

Company As at 31 December 2019	**Less than 1 month £000**	**Within 1 year £000**	**1-2 years £000**	**3-5 years £000**	**More than 5 years £000**	**Total £000**
Financial liability by type:						
Trade and other payables	**489**	**1,518**	**—**	**—**	**—**	**2,007**
Total financial liabilities	**489**	**1,518**	**—**	**—**	**—**	**2,007**
Financial asset by type:						
Cash and cash equivalents	**18**	**—**	**—**	**—**	**—**	**18**
Total financial assets	**18**	**—**	**—**	**—**	**—**	**18**

Company As at 31 December 2018	Less than 1 month £000	Within 1 year £000	1-2 years £000	3-5 years £000	More than 5 years £000	Total £000
Financial liability by type:						
Trade and other payables	—	2,251	—	—	—	2,251
Total financial liabilities	—	2,251	—	—	—	2,251
Financial asset by type:						
Cash and cash equivalents	8	—	—	—	—	8
Total financial assets	8	—	—	—	—	8

The analysis above includes the contractual cash flow for borrowings and the total amount of interest payable over the life of the loan. Where borrowings are subject to a floating rate, an estimate of interest payable is taken. The rate is derived from interest rate yield curves at the statement of financial position date.

In addition to the above, the Group has entered into certain forward flow agreements to which it has committed to pay an estimated £24,600,000 (2018: £6,257,000) over the next five years.

The following analysis shows the gross non-discounted contractual cash flows in respect of foreign currency contract derivative assets and liabilities, and interest rate swap derivative liabilities, which are all designated as cash flow hedges:

	2019		2018	
	Outflow £000	**Inflow £000**	Outflow £000	Inflow £000
Not later than one month	**84**	**—**	63,392	63,512
Later than one month and not later than six months	**135**	**—**	48,254	48,224
Later than six months and not later than one year	**217**	**—**	57	5
Later than one year and not later than two years	**79**	**—**	4	3
Later than two years and not later than five years	**—**	**—**	—	—
	515	**—**	111,707	111,744

25. Risks arising from financial instruments continued

The above table shows the gross contractual undiscounted cash flows receivable and payable on the derivative financial instruments.

When the amount payable or receivable is not fixed, the amount disclosed has been determined with reference to the projected interest rates as illustrated by the interest rate yield curves existing at the statement of financial position date.

The derivative financial instruments are held across a number of counterparties; the largest net cash flow exposure to a single counterparty at 31 December 2019 is £0.2 million (2018: £0.3 million).

Financial assets pledged as collateral

On 30 April 2019, the Group entered into a £100 million non-recourse committed asset backed securitisation facility with an advance rate of 55% of 84-month ERC.

On the same date, the Group sold £137 million of ERC into AGL Fleetwood Limited, a wholly owned Arrow Global Group subsidiary, and borrowed an initial amount of £75 million non-recourse funding at Libor plus 3.1%, under the facility. The assets of AGL Fleetwood Limited are pledged as security against the non-recourse funding.

On 31 July 2019, the Group sold a further £44 million of ERC into AGL Fleetwood Limited and subsequently borrowed an additional £25 million non-recourse funding on the same terms under the facility. The facility has a five year term comprising an initial two year revolving period followed by a three year amortising period with an option to extend the revolving period by one year, subject to lender consent.

As at 31 December 2019, the Group had pledged £94.2 million (2018: £nil) of portfolio investments as security in connection with the non-recourse committed asset backed securitisation.

Market risk

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk principally comprises interest rate risk and currency risk and are considered further below. Note that the Group does not hold any trading portfolios for the purposes of these disclosures.

Interest-rate risk

The Group has an exposure to interest rate risk arising on changes in interest rates on its borrowings, principally on the floating rate senior secured notes, and therefore seeks to limit this exposure. This is achieved by the use of techniques to fix interest rate costs, including fixed rate funding (predominantly longer-term bond funding), bank borrowing loan draw down periods and interest rate hedging instruments. These techniques are used to hedge the interest rate costs on a proportion of borrowings over a certain period of time. Most hedging is for up to three years.

25. Risks arising from financial instruments continued

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

	2019 £000	2018 £000
Fixed-rate instruments		
Financial liabilities	**320,000**	320,000
	320,000	320,000
Variable-rate instruments		
Financial assets	**(88,765)**	(92,001)
Financial liabilities	**912,855**	861,153
Effect of interest-rate swaps	**(340,237)**	(453,811)
Net-variable rate	**483,853**	315,341

If interest rates across all countries of operation increased by 50 basis points this would have the following impact:

	2019 £000	2018 £000
Increase in fair value of derivatives taken to equity	**470**	1,134
Reduction in profit before taxation	**(1,369)**	(849)

This sensitivity analysis is based on the following assumptions:

- the change in market interest rates occurs in all countries where the Group has borrowings and/or derivative financial instruments;
- where financial liabilities are subject to fixed interest rates or have their interest rate fixed by hedging instruments it is assumed that there is no impact from a change in interest rates; and
- changes in market interest rates affect the fair value of derivative financial instruments.

Currency risk

The Group is subject to three types of currency risk: cash flow exposure, net asset exposure and income statement exposure.

Cash flow exposure

The Group is subject to currency risk in respect of future cash flows which are denominated in foreign currency. The policy of the Group is to hedge a large proportion of this currency risk in respect of cash flows which are highly likely to arise in the following 12 months. Where cash flow hedges have been entered into, they are designated as cash flow hedges on specific future transactions.

Net asset exposure

A proportion of the Group's net assets are denominated in Euro. The Group limits its exposure to currency risk on non-functional funding through forward currency contracts. The statement of financial position is reported in Sterling and this means that there is a risk that a fluctuation in foreign exchange rates will have an impact on the net assets of the Group. The Group aims to minimise the value of net assets denominated in Euro by funding portfolio assets with Euro denominated borrowings where possible.

Income statement exposure

As with net assets, a proportion of the Group's profit is denominated in Euro but translated into Sterling for reporting purposes. The result for the period is translated into Sterling at the average exchange rate. A risk

25. Risks arising from financial instruments continued

therefore arises that a fluctuation in the exchange rate relative to the Euro will have an impact on the consolidated result for the period. This risk is managed by the Group matching Euro asset purchases with Euro funding wherever possible, to achieve an element of natural hedging.

If foreign exchange rates had been 10% stronger than Sterling than those at the statement of financial position date and all other variables were held constant, the Group's net assets and net profit for each significant denomination of currency would increase/(decrease) as follows:

Equity and net assets	**2019 £000**	2018 £000
Currency		
Euro (EUR)	**21,380**	10,097
	21,380	10,097

Net profit	**2019 £000**	2018 £000
Currency		
Euro (EUR)	**9,800**	6,837
	9,800	6,837

The above assumes that there is no impact on retained earnings or equity arising from those items which are naturally hedged (where the currency asset is exactly equal to the currency liability).

If foreign exchange rates had been 10% weaker than Sterling at the statement of financial position date and all other variables were held constant, the Group's net assets and net profit for each significant denomination of currency would increase/(decrease) as follows:

Equity and net assets	**2019 £000**	2018 £000
Currency		
Euro (EUR)	**(17,493)**	(8,621)
	(17,493)	(8,621)

Net profit	**2019 £000**	2018 £000
Currency		
Euro (EUR)	**(8,018)**	(5,594)
	(8,018)	(5,594)

The above assumes that there is no impact on retained earnings or equity arising from those items which are naturally hedged (where the currency asset is exactly equal to the currency liability).

Capital risk management

The Group is subject to the risk that its capital structure will not be sufficient to support the growth of the business. The Group is currently not required to hold regulatory capital but seeks to maintain leverage (calculated as Secured Net Debt over Adjusted EBITDA) of between 3.0 and 3.5 times.

The Group aims to maintain appropriate capital to ensure that it has a strong statement of financial position but at the same time is providing a good return on equity to its shareholders. The Group's long-term aim is to ensure that the capital structure results in an optimal ratio of debt and equity finance.

The capital structure of the Group consists of cash, cash equivalents debt and equity.

25. Risks arising from 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 31 December 2019 was:

	2019 £000	2018 £000
Ordinary share capital and premium	**349,205**	349,199
Other reserves excluding opening IFRS 9, IFRS 15 and IFRS 16 adjustments	**(150,866)**	(143,343)
Impact of adopting IFRS 9	**—**	(14,000)
Impact of adopting IFRS 15	**—**	(199)
Impact of adopting IFRS 16	**(947)**	—
Total equity and reserves	**197,392**	191,657

26. Financial assets and liabilities

Fair values of financial assets and liabilities

The fair value and carrying value of the financial assets and liabilities of the Group are set out below. The Group does not apply 'offsetting' to any of its financial assets and liabilities.

2019	Mandatorily at FVTPL £000	FVOCI £000	Amortised cost £000	Total carrying amount £000	Total fair value £000
Portfolio investments	**169,799**	**—**	**932,199**	**1,101,998**	**1,101,275**
Cash and cash equivalents	**—**	**—**	**88,765**	**88,765**	**88,765**
Other receivables classified as financial assets	**—**	**—**	**69,198**	**69,198**	**69,198**
Total financial assets	**169,799**	**—**	**1,090,162**	**1,259,961**	**1,259,238**

2019	Mandatorily at FVTPL £000	FVOCI £000	Amortised cost £000	Total carrying amount £000	Total fair value £000
Senior secured notes	**—**	**—**	**897,875**	**897,875**	**904,853**
Revolving credit facility	**—**	**—**	**230,963**	**230,963**	**230,963**
Asset-backed loans	**—**	**—**	**84,077**	**84,077**	**84,077**
Bank overdrafts	**—**	**—**	**1,386**	**1,386**	**1,386**
Other borrowings	**—**	**—**	**3,672**	**3,672**	**3,672**
Derivative liability	**509**	**—**	**—**	**509**	**509**
Trade and other payables classified as financial liabilities	**12,549**	**—**	**151,586**	**164,135**	**164,135**
Total financial liabilities	**13,058**	**—**	**1,369,559**	**1,382,617**	**1,389,595**

26. Financial assets and liabilities continued

	Mandatorily at FVTPL £000	FVOCI £000	Amortised cost £000	Total carrying amount £000	Total fair value £000
Portfolio investments	217,974	—	869,056	1,087,030	1,100,001
Cash and cash equivalents	—	—	92,001	92,001	92,001
Trade and other receivables classified as financial assets	—	—	88,779	88,779	88,779
Total financial assets	217,974	—	1,049,836	1,267,810	1,280,781

2018	Mandatorily at FVTPL £000	FVOCI £000	Amortised cost £000	Total carrying amount £000	Total fair value £000
Senior secured notes	—	—	941,109	941,109	864,835
Revolving credit facility	—	—	245,587	245,587	245,587
Bank overdrafts	—	—	2,696	2,696	2,696
Other borrowings	—	—	11,635	11,635	11,635
Derivative liability	502	—	—	502	502
Trade and other payables classified as financial liabilities	38,455	—	105,085	143,540	143,540
Financial liabilities	38,957	—	1,306,112	1,345,069	1,268,795

Fair value estimation

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For instruments that trade infrequently and have little price transparency, fair value is less objective, and required 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 the differences between the instruments.

Application to the Group's financial assets and liabilities

The fair value of amortised cost portfolio investments has been calculated by observing the compression in market yields over time and applying the difference between current average market IRRs for the Group's most recent vintage, and applying this as a premium or discount to prior years' vintages. This approach takes into

26. Financial assets and liabilities continued

account changes in market pricing factors over time, while retaining the consideration of the individual characteristics of each portfolio. As this calculation is based on unobservable inputs, these fair values would be categorised as level 3 values. The primary unobservable input to which this valuation is sensitive to is the current market rates for portfolios. A 1% rise/fall in this rate would lead to an uplift/reduction in fair value of £20,251,000/(£19,438,000).

The fair value of cash and cash equivalents and the revolving credit facility are deemed to be equal to their carrying amount, and is considered a level 1 fair value.

The carrying value of other receivables and payables classified as financial assets/liabilities is deemed to be a good approximation of their fair value, due to their short maturity and low credit risk. These would be considered as a level 3 fair values.

The carrying value of asset-backed loans is deemed to be a good approximation of their fair value. Given the significant collateral underpinning the asset-backed loans, it is deemed appropriate to not adjust the carrying value for expected credit losses when deriving the fair value of the loans. Additionally, the market rate is not deemed to have materially changed since the issuance of the asset-backed loans. The fair value would be categorised as a level 3 value.

The fair value of the senior secured notes has been calculated by reference to broker quotes that are based on observable market inputs and therefore would be included as level 2 in the fair value hierarchy table should the liability have been held at fair value.

Derivative financial instruments are held at fair value, which is equal to the expected future cash flows arising as a result of the derivative transaction. For other financial assets and liabilities, which are all short-term in nature, the carrying value is a reasonable approximation of fair value.

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.

	2019 **£000**	2018 £000
Level 2		
Liabilities:		
Foreign currency contracts	—	(294)
Interest rate swaps	**509**	796
	509	502
Level 3		
Assets:		
Portfolio investments	**169,799**	217,974
	169,799	217,974
Liabilities:		
Contingent consideration	**(12,549)**	(38,455)
	157,250	179,519

There have been no transfers between level 2 or level 3. However, in the year it has been determined that contingent consideration liabilities qualify as level 3 financial liabilities held at FVTPL. As such, they are now included within this disclosure.

The fair value of derivative financial instruments has been calculated by discounting expected future cash flows using interest rate yield curves and forward foreign exchange rates prevailing at 31 December 2019.

26. Financial assets and liabilities continued

Total gains on portfolio investments recognised at FVTPL have been presented in the income statement as ‘Fair value gains on portfolio investments at FVTPL’. The fair value of portfolio investments recognised as FVTPL has been calculated by using a discounted cash flow model. The significant unobservable inputs used in the calculation of portfolio investments categorised as Level 3 In the fair value hierarchy are estimated future cash flows (ERCs), derived from management forecasts and the discount rate appropriate to the investment and the anticipated rate of return.

The total 84 month ERC value for the Group’s portfolio investments held at FVTPL is £255,844,000, with an average discount rate of 12.4%. An increase/decrease in ERC of 1% would lead to an increase/decrease in the carrying value of portfolio investments held at FVTPL of £1,698,000/ (£1,698,000). An increase/decrease in the discount rate of 1% would lead to an increase/decrease in the carrying value of portfolio investments held at FVTPL of (£5,325,000)/£5,637,000.

The total ERC value for the Group’s portfolio investments held at amortised cost is ££1,428,163,000, with an average discount rate of 22.9%. An increase/decrease in ERC of 1% would lead to an increase/decrease in the carrying value of portfolio investments held at amortised costs of £9,322,000/(£9,322,000). An increase/decrease in the discount rate of 1% would lead to an increase/decrease in the carrying value of portfolio investments held at amortised of (£14,114,000)/£14,613,000. A full reconciliation between the opening and closing portfolio investments held at FVTPL has been provided in note 24. For a fuller description of how the future cash flows are estimated, please refer to note 4.

Reconciliation of Level 3 fair values – contingent consideration

Contingent consideration – Level 3	**2019 £000**	2018 £000
As at the year brought forward	**38,455**	18,502
Additional liabilities entered into in the period	**4,300**	20,130
Fair value adjustments	**(21,119)**	(167)
Consideration repaid in the year	**(8,678)**	—
Foreign exchange gain	**(409)**	(10)
	12,549	38,455

Contingent consideration has arisen as a result of business combinations in the prior periods. In the current period, the contingent consideration was remeasured, partly due to the renegotiation of the terms of the deferred consideration in the period. Of the closing balance, €10 million relates to the acquisition of Norfin and has a minimum/maximum pay-out of €5 million/€10 million. The remainder relates to the acquisition of Drydens, with a minimum/maximum pay-out of £nil/£5 million.

Financial instruments not measured at fair value – fair value hierarchy

The following table analyses financial instruments not measured at fair value at the reporting date, by the level in the fair value hierarchy into which the measurement is categorised. The amounts are based on the values recognised in the statement of financial position. All of the Group’s financial instruments not measured at fair value fall into hierarchy level 3.

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts and exposure to currency rate fluctuations. The total notional amount of outstanding foreign currency contracts that the Group is committed to at 31 December 2019 is £nil (2018: £35,300,000). As at 31 December 2018, these comprise foreign currency contracts to sell Sterling and purchase Euros for a total notional of £35,300,000 and had maturity dates to March 2019. These contracts were designated and were effective as cash flow hedges under IFRS 9 and, accordingly, the fair value thereof was deferred in equity and the fair value recycled to the statement of profit or loss and other comprehensive income during 2019. In such hedge relationships, the main source of potential hedge ineffectiveness is counterparty credit risk, of both parties, including the Group. There are no other material sources of hedge ineffectiveness. During the year, £8,000

26. Financial assets and liabilities continued

(2018: £1,202,000) was recycled from equity to the statement of profit or loss, within finance costs, and other comprehensive income as a result of maturity of the short dated foreign exchange swaps during the year and an amount of £100,000 has been charged to equity for the Group in the period in respect of cash flow hedges (2018: £291,000).

Level 3	2019 £000	2018 £000
Assets:		
Portfolio investments – amortised cost	**932,199**	869,056
Total assets	**932,199**	869,056

There have been no transfers in or out of level 3. However, in the year it has been determined that deferred consideration liabilities qualify as level 3 financial liabilities held at amortised cost. As such, they are now included within this disclosure. The statement of financial position value of the Group's portfolio investments not measured at fair value, is derived from discounted cash flows generated by an internal model. For a fuller description of how the future cash flows are estimated, please refer to note 4. Following acquisition, the fair value will move directionally in line with carrying amount but may deviate as market conditions change.

The Group has an established control framework covering the measurement of portfolio investment carrying values. This includes regular monitoring of portfolio performance overseen by the portfolio review committee, which considers actual versus forecast results at an individual portfolio level, re-forecasts cash flows on a semi-annual basis, reviews actual against forecast gross money multiple, approves 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 year of the portfolio investments can be seen in note 24.

The Company did not hold any other financial instruments not measured at fair value for which a fair value needs to be calculated (2018: none).

Derivatives designated as cash flow hedges

	2019		2018	
Instrument type	**Assets £000**	**Liabilities £000**	Assets £000	Liabilities £000
Interest rate derivatives	**—**	**509**	—	796
Foreign exchange contracts	**—**	**—**	294	—
Total derivatives designated as cashflow hedges	**—**	**509**	294	796

Interest rate hedging

The Group has Euro interest rate swaps, which hedge floating 3 month Euribor with a zero percent floor to a fixed rate and have been designated as cash flow hedges, in place for a Sterling equivalent notional amount of £340,237,000 (2018: £453,811,000). In 2018 and 2019, these interest rate swaps covered current borrowings, being the floating rate senior secured Euro notes. An amount of £286,000 has been credited to equity for the Group in the period in respect of cash flow hedges (2018: £291,000 charge). All hedge relationships have been effective in the year and are expected to maintain effectiveness.

Hedge effectiveness is assessed based upon the relative changes in cash flows arising from the specified portion of the Group's floating rate borrowings, relative to the change in cash flows of the interest rate swaps (using the hypothetical derivative method). The hedges are deemed to be highly effective in the current and prior period. In such hedge relationships, the main source of potential hedge ineffectiveness is counterparty credit risk, of both parties, including the Group. There are no other material sources of hedge ineffectiveness.

Interest rate swaps in place at the statement of financial position date are designated, and are effective under IFRS 9, as cash flow hedges, and their fair value has been recognised in the hedging reserve. All interest rate

26. Financial assets and liabilities continued

swaps are categorised as highly effective and no charge has been made to the statement of profit or loss and other comprehensive income in the year (2018: no charge). No re-classifications into or out of the hedging reserve were made in relation to interest rate swaps.

The Company did not hold any interest rate swaps at 31 December 2019 (31 December 2018: £nil). No charge has been made to the Company's equity.

The calculation methodology of Euribor changed during 2019. In July 2019, the Belgian Financial Services and Markets Authority granted authorisation with respect to Euribor under the European Union Benchmarks Regulation. This allows market participants to continue to use Euribor after 1 January 2020 for both existing and new contracts. The Group expects that Euribor will continue to exist as a benchmark rate for the foreseeable future. The Group does not anticipate changing the hedged risk to a different benchmark. For these reasons, the Group does not consider its cash flow hedges of the Euribor benchmark interest rate to be directly affected by the interest rate benchmark reform at 31 December 2019. No hedge relationships have any exposure to LIBOR.

At 31 December 2019, the Group held the following instruments to hedge exposures to changes in interest rates.

Interest rate risk	Less than 1 year	1-5 years
Interest rate swaps		
Nominal amount (£000)	187,130	153,107
Average fixed interest rate	0.19%	0.05%

Reconciliation of components of equity

Reconciliation of components of equity	Hedging reserve £000	Translation reserve £000
Balance at 1 January 2019	**(584)**	**9,214**
Cash flow hedges		
Effective portion of changes in fair value:		
Interest rate risk	287	—
EUR foreign currency risk	(100)	—
Related tax	(33)	—
Net amount reclassified to profit or loss:		
EUR foreign currency risk	8	—
Related tax	(1)	—
Foreign currency translation differences for foreign operations	—	(7,077)
Balance at 31 December 2019	**(423)**	**2,137**

27. Unconsolidated structured entities

Unconsolidated structured entities are all structured entities that the Group has an interest in, but does not control. The Group uses structured entities in the normal course of business to facilitate acquisitions of portfolios in accordance with local law, to allow co-investment with other parties, or to implement the financing required to acquire portfolios.

In addition to exposures to unconsolidated structured entities, the Group also undertakes Asset Management and Servicing activities for certain structured entities in which the Group has no other interests. Such activities are charged at a market rates, on terms normal for the industry, and are considered to be a typical customer/supplier relationship per the meaning of this term set out in 'IFRS 12 – Disclosure of Interests in Other Entities'.

27. Unconsolidated structured entities continued

Nature and risks associated with Group interests in unconsolidated structured entities:

Geography of operations

Underlying asset type	UK and Ireland	Portugal	Italy	Netherlands
Loan receivables	1	6	5	4
Real estate	—	1	—	2
Number of entities as at 31 December 2019	**1**	**7**	**5**	**6**

Portfolio investments	UK and Ireland	Portugal	Italy	Netherlands
FVTPL	4,203	18,864	12,070	89,451
Amortised cost	—	2,976	6,080	2,008
Total assets as at 31 December 2019	**4,203**	**21,840**	**18,150**	**91,459**
Total liabilities as at 31 December 2019	**—**	**—**	**—**	**—**

The maximum exposure to loss is the carrying value of the instruments summarised above, due to the nature of the Group's holdings at the fact that no additional support has been provided or committed to the vehicles.

Unconsolidated structured entities in which the Group holds an interest are typically financed by a form of junior profit participation note, and in some instances also have senior secured or senior unsecured liabilities to which the junior positions are subordinated.

2018 Comparative:

Geography of operations

Underlying asset type	UK and Ireland	Portugal	Italy	Netherlands
Loan receivables	1	4	5	4
Real estate	—	—	—	2
Number of entities as at 31 December 2019	**1**	**4**	**5**	**6**

Portfolio investments	UK and Ireland	Portugal	Italy	Netherlands
FVTPL	3,504	3,899	12,202	88,021
Amortised cost	—	25,170	7,472	4,492
Total assets as at 31 December 2019	**3,504**	**29,069**	**19,674**	**92,513**
Total liabilities as at 31 December 2019	**—**	**—**	**—**	**—**

28. Share-based payments – Group and Company

Share incentive plan (SIP)

In 2019 (and previously April 2018, 2017, 2016, 2015 and 2014), the Group offered to all UK employees the opportunity to participate in a SIP, where the Company gives the participating employees one matching share for each partnership share acquired on behalf of the employee using the participating employees' gross salaries. The shares vest at the end of three years on a rolling basis as they are purchased, with employees required to stay in employment for the vesting period to receive the shares.

On 30 December 2014, the Group provided eligible employees with a free share award worth £500, with a grant date price per share of £2.29 as part of the Arrow Global Group SIP. The free shares vested in 2017, with restrictions attached to these shares ceasing to have effect from the vesting date.

28. Share-based payments – Group and Company continued

Long - term incentive plan (LTIP)

On 20 June 2019, nil-cost share options were granted to eligible employees based on a maximum of 200% of base salary. The LTIP awards vest at the end of three years subject to the achievement of performance conditions. On the same dates, tax-qualifying options were granted as part of the LTIP awards (‘CSOP options’) to eligible UK employees.

On 27 June 2018, 31 March 2017, 8 April 2016 and 19 May 2016, 30 June 2015 and 15 June 2015, nil-cost share options were granted to eligible employees based on a maximum of 150% of base salary. The LTIP awards vest at the end of three years subject to the achievement of performance conditions. On the same dates, tax-qualifying options were granted as part of the LTIP awards (‘CSOP options’) to eligible UK employees.

Each CSOP option is subject to the same performance targets as apply to the nil-cost option part of the awards. If a CSOP option is exercised at a gain, the number of shares that may be delivered under the above associated nil-cost option under the LTIP will be reduced at exercise by the same value to ensure that the total pre-tax value of the original LTIP award delivered to the participant is not increased by the grant of the CSOP option. Awards granted on or after 27 June 2018 awards do not include the right to receive a dividend equivalent.

2019 LTIP award criteria

For each eligible employee, 50% of the LTIP awards are subject to the following ROE criteria:

Performance condition	Percentage vesting
Less than 24% Average ROE over three performance years	0%
24% average ROE over the three performance years (threshold performance)	25%
30% average ROE over the three performance years (maximum performance)	100%
Between 24% and 30% average ROE over the three performance years	Between the threshold performance and maximum performance on a straight line basis

For each eligible employee, 25% of the LTIP awards are subject to the following total shareholder return criteria, being share price growth plus the value of dividend. The Group is compared against the FTSE 350 Index.

Performance condition	Percentage vesting
Below median ranking	0%
Median ranking (top 50%) (‘threshold performance’)	25%
Upper quartile ranking (top 25%) (‘maximum performance’)	100%
Between top 50% and top 25% ranking	Between the threshold performance and maximum performance on a straight line basis

For each eligible employee, 25% of the LTIP awards are subject to the following FCF performance conditions:

Performance condition	Percentage vesting
Between 24% and 30% average ROE over the three performance years	0%
£715 million cumulative FCF over the three performance years (threshold performance)	25%
£757 million cumulative FCF over the three performance years (maximum performance)	100%
Between £715 million and £757 million cumulative FCF over the three performance years	Between the threshold performance and maximum performance on a straight line basis

28. Share-based payments – Group and Company continued

LTIP Awards 2015, 2016, 2017 and 2018 criteria

For each eligible employee, 50% of the LTIP awards are subject to the following underlying basic EPS growth criteria:

Performance condition	Percentage vesting
Less than 10% EPS growth per annum	0%
10% EPS growth per annum over the vesting period ('threshold performance')	25%
20% EPS growth per annum over the vesting period ('maximum performance')	100%
Between 10% and 20% EPS growth per annum over the vesting period	Between the threshold performance and maximum performance on a straight line basis

For each eligible employee, 25% of the LTIP awards are subject to the following total shareholder return criteria, being share price growth plus the value of dividend. The Group is compared against the FTSE 350 Index.

Performance condition	Percentage vesting
Below median ranking	0%
Median ranking (top 50%) ('threshold performance')	25%
Upper quartile ranking (top 25%) ('maximum performance')	100%
Between top 50% and top 25% ranking	Between the threshold performance and maximum performance on a straight line basis

LTIP awards 2018

For each eligible employee, 25% of the LTIP awards are subject to the following ROE criteria:

Performance condition	Percentage vesting
Less than 26% average ROE over the three performance years	0%
26% average ROE growth over the three performance years ('threshold performance')	25%
30% average ROE growth over the three performance years ('maximum performance')	100%
Between 26% and 30% average ROE growth over the three performance years	Between the threshold performance and maximum performance on a straight line basis

LTIP awards 2015, 2016 and 2017

For each eligible employee, 25% of the LTIP awards are subject to the following ROE criteria:

Performance condition	Percentage vesting
Less than 20% average ROE over the three performance years	0%
20% average ROE growth over the three performance years ('threshold performance')	25%
26% average ROE growth over the three performance years ('maximum performance')	100%
Between 20% and 26% average ROE growth over the three performance years	Between the threshold performance and maximum performance on a straight line basis

28. Share-based payments – Group and Company continued

Restricted share awards

Restricted share awards were made on 10 May 2019 and 10 May 2018. These awards vest on 10 May 2021 and 10 May 2020 respectively, subject to continuity of employment. Awards made on 31 March 2017, 19 May 2016 and 15 June 2015 vested on 31 March 2019, 19 May 2018 and 11 May 2017 respectively.

Deferred share bonus plan (DSBP)

Up to 50% of the bonus earned by the executive directors is deferred into shares for up to three years via the DSBP, subject to continued employment during the vesting period. DSBP awards were made on 26 March 2019, 27 March 2018, 31 March 2017, 8 April 2016 and 9 April 2015. See page 89 of the 2019 Annual Report for details of the bonus delivered in the form of deferred shares for the financial year 2019.

The deferred shares granted on 9 April 2015 and 8 April 2016 vested on 9 April 2018 and 8 April 2019 respectively.

Buy-out awards

Buy-out share awards were made on 2 January 2018, in respect to compensation of forfeited awards for Paul Cooper as a result of his resignation from his former employer, in connection with Paul Cooper's resignation the awards which were due to vest in 2020 and 2021 lapsed.

Grant information

The terms and conditions of the grant are as follows:

Name	Method of settlement accounting	Number of instruments	Vesting period	Contractual life of options
Grant date/employees entitled				
Equity settled award – SIP	Equity	81,298	3 years	31 October 2016
Equity settled award – SIP	Equity	90,252	3 years	30 December 2017
Equity settled award – SIP	Equity	16,676	3 years (rolling)	May-June 2017
Equity settled award – LTIP	Equity	1,483,532	3 years	15 June 2018
Equity settled award – LTIP	Equity	32,739	3 years	15 June 2018
Equity settled award – restricted	Equity	266,008	2 years	1 May 2017
Equity settled award – SIP	Equity	55,003	3 years (rolling)	May-June 2018
Equity settled award – LTIP	Equity	1,563,299	3 years	8 April 2019
Equity settled award – LTIP	Equity	176,053	2.9 years	8 April 2019
Equity settled award – restricted	Equity	272,638	2 years	1 May 2018
Equity settled award – SIP	Equity	73,261	3 years (rolling)	April 2019
Equity settled award – DSBP	Equity	44,183	3 years	9 April 2018
Equity settled award – DSBP	Equity	77,739	3 years	8 April 2019
Equity settled award – LTIP	Equity	1,430,117	3 years	31 March 2020
Equity settled award – LTIP	Equity	74,052	3 years	31 March 2020
Equity settled award – restricted	Equity	202,312	2 years	31 March 2019
Equity settled award – SIP	Equity	50,106	3 years (rolling)	May-June 2020
Equity settled award – DSBP	Equity	65,374	3 years	31 March 2020
Equity settled award – LTIP	Equity	1,814,874	3 years	27 June 2021
Equity settled award – restricted	Equity	189,702	2 years	10 May 2020
Equity settled award – SIP	Equity	111,097	3 years rolling	May-June 2021
Equity settled award – DSBP	Equity	70,891	3 years	26 March 2021
Equity settled award – buy out	Equity	18,089	n/a	18 June 2018
Equity settled award – buy out	Equity	49,951	1 year 4 months	30 April 2019
Equity settled award – LTIP	Equity	2,107,612	3 years	22 June 2022
Equity settled award – restricted	Equity	359,934	2 years	10 May 2021
Equity settled award – SIP	Equity	103,981	3 years rolling	May-June 2022
Equity settled award – DSBP	Equity	132,737	3 years	26 March 2022

28. Share-based payments – Group and Company continued

The following table shows the weighted average exercise prices (WAEP)/fair values (FV) and number of options movements during the year.

	2019		2018	
	WAEP/FV	**Number of options**	WAEP/FV	Number of options
Outstanding at the beginning of the year	**2.88**	**5,177,072**	£2.90	4,076,095
Granted during the year	**2.24**	**2,704,265**	£2.73	2,350,193
Forfeited during the year	**2.68**	**(1,265,351)**	£2.88	(436,320)
Exercised during the year	**2.86**	**(975,199)**	£2.59	(812,896)
Expired during the year	**2.66**	**(206,981)**	—	—
Outstanding at 31 December	**2.63**	**5,433,806**	£2.88	5,177,072
Exercisable at 31 December	**2.62**	**677,859**	£2.53	718,631

The weighted average price of shares exercised in the year was £2.12 (2018: £2.54). The share options outstanding at 31 December 2019 have a weighted average contractual life of 1.4 years (2018: 1.3 years) and an exercise price in the range of £1.84 to £2.57. The weighted average fair value of options granted during the year was £2.15 (2018: £2.61). The majority of options granted to date are nil-cost options (2018: nil-cost options).

The fair value of equity settled share-based payments has been estimated as at date of grant using the Black-Scholes model. The inputs to the models used to determine the valuations fell within the following ranges:

Grant date	**20 June 2019**	**10 May 2019**	**10 May 2019**	**26 March 2019**
Expected life of options (years)	**3**	**2**	**3**	**3**
Share prices at date of grant	**£2.31**	**£1.94**	**£2.17**	**£2.04**
Expected share price volatility (%)	**43.1%**	**n/a**	**n/a**	**n/a**
Risk free interest rate (%)	**0.5%**	**n/a**	**n/a**	**n/a**

The total expenses recognised for the year arising from share-based payments are as follows:

	2019 £000	2018 £000
Equity settled share-based payment expense spread across vesting period	**1,558**	3,267
Total equity settled share-based payment expense recognised in the statement of comprehensive income	**1,437**	3,267

Please see the directors remuneration report for further information about directors’ share options.

29. Borrowings and facilities

	2019 £000	2018 £000
Senior secured notes net of transaction fees of £12,780,000 (2018: £14,769,000)	**897,875**	926,340
Revolving credit facility net of transaction fees of £3,720,000 (2018: £3,466,000)	**230,963**	242,121
ABS Loan net of transaction fees of £1,658,000 (2018: £nil)	**84,077**	—
Bank overdrafts	**1,386**	2,696
Other borrowings – Non-recourse facility	**3,672**	11,635
	1,217,973	1,182,792
Total borrowings:		
Amount due for settlement within 12 months	**257,500**	259,045
Amount due for settlement after 12 months	**960,473**	923,747

Senior secured notes

On 7 March 2018, Arrow Global Finance Plc issued €285 million floating rate senior secured notes due 2026 (the ‘2026 Notes’) at a coupon of 3.75% over three-month EURIBOR and also issued a £100 million tap of its

29. Borrowings and facilities continued

existing £220 million 5.125% fixed rate notes due 2024. As part of the transaction Arrow Global Finance Plc also redeemed its €230 million 4.75% over three-month EURIBOR floating rate senior secured notes.

The proceeds were used to fund the purchase price for the acquisition of Parr Credit, partially repay drawings under the revolving credit facility and to fund transaction costs and the redemption of the 2023 notes.

In 2018, bond refinancing costs comprised £18,658,000 incurred on the early redemption of the €230 million notes due 2023, of which £13,623,000 was a cash cost related to the call premium. The remaining £5,035,000 was due to a non-cash write-off of related transactions fees, relating to the 2023 notes.

The Euro senior notes and Sterling senior notes are secured by substantially all of the assets of the Group.

Revolving credit facility

On 4 January 2018 the commitments under the revolving credit facility were increased from £215 million to £255 million. The maturity of the facility was extended to 2 January 2023 and the margin reduced to 2.5%.

On 1 November 2018, the commitments under the revolving credit facility were increased from £255 million to £285 million.

On 26 February 2019, the revolving credit facility was extended to 2024, with no change in margin.

Asset backed securitisation

On 30 April 2019, the Group entered into a £100 million non-recourse committed asset backed securitisation facility with an advance rate of 55% of 84-month ERC. On the same date, the Group sold £137 million of ERC into AGL Fleetwood Limited, a wholly owned Arrow Global Group subsidiary, and borrowed an initial amount of £75 million non-recourse funding at Libor plus 3.1% under the facility.

On 31 July 2019, the Group sold a further £44 million of ERC into AGL Fleetwood Limited and subsequently borrowed an additional £25 million non-recourse funding on the same terms under the facility. The facility has a five year term comprising an initial two year revolving period followed by a three year amortising period with an option to extend by one year, subject to lender consent.

29. Borrowings and facilities continued

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Senior secured notes £000	Asset backed-loans £000	Revolving credit facility £000	Lease liabilities £000	Deferred and contingent consideration £000	Other borrowings £000	Total liabilities relating to cash flow from financing activity £000
Balance at 31 December 2018	926,340	—	242,121	—	71,953	14,833	1,255,247
Changes from financing cash flows							
Net repayments on loans	—	—	(2,017)	—	—	(5,482)	(7,499)
Proceeds from issued notes (net of fees)	—	100,000	—	—	—	—	100,000
Redemption of issued notes	—	(14,396)	—	—	—	—	(14,396)
Repayment of interest on issued notes	(33,553)	(2,317)	—	—	—	—	(35,870)
Payments on finance leases	—	—	—	(5,061)	—	—	(5,061)
Banking facility interest and other fees paid	—	—	(6,705)	—	—	(1,747)	(8,452)
Total changes from financing cash flows	**(33,553)**	**83,287**	**(8,722)**	**(5,061)**	**—**	**(7,229)**	**28,722**
Liability-related							
Interest expense on issued notes	36,071	2,274	—	—	—	—	38,345
Amortisation of capitalised transaction fees	2,161	235	876	—	—	—	3,272
Banking facility interest and other fees	—	—	6,976	—	—	(61)	6,915
Interest rate swap and hedge costs	—	—	—	—	—	515	515
Other interest including on finance leases	—	—	—	1,395	2,307	1,749	5,451
Total interest and similar charges	**38,232**	**2,509**	**7,852**	**1,395**	**2,307**	**2,203**	**54,498**
Recognition on initial application of IFRS 16	—	—	—	27,300	—	—	27,300
The effect of changes in foreign exchange rates	(32,971)	—	(8,414)	(130)	(1,806)	(318)	(43,639)
Other borrowings restructure	—	—	—	—	—	(13,161)	(13,161)
Capitalised transaction fees	—	(1,719)	(1,127)	—	—	—	(2,846)
Acquisition of subsidiary – other borrowings acquired	—	—	—	—	—	6,122	6,122
Impact of consolidation of subsidiary in the period – other borrowings	—	—	—	—	—	3,623	3,623
Revaluation of contingent consideration	—	—	—	—	(21,119)	—	(21,119)
Net deferred consideration commitments	—	—	—	—	41,981	—	41,981
Other changes	(173)	—	(747)	—	—	(506)	(1,426)
Total liability-related changes	**(33,144)**	**(1,719)**	**(10,288)**	**27,170**	**19,056**	**(4,240)**	**(3,165)**
Balance at 31 December 2019	**897,875**	**84,077**	**230,963**	**23,504**	**93,316**	**5,567**	**1,335,302**

The tables above and below have been represented to show additional detail, and to more easily allow reconciliation of the information to the cash flow statement, income statement and the opening and closing balance sheet.

Other borrowings

	2019 £000	2018 £000
Other borrowings	**3,672**	11,635
Bank overdrafts	**1,386**	2,696
Derivative liability	**509**	502
	5,567	14,833

30. Acquisition of subsidiary undertaking

Current year acquisitions

a. Drydens Limited (Drydens)

On 8 April 2019, the Group acquired 100% of the share capital of Drydens. Drydens is a provider of legal services, the acquisition of which will broaden the Group's UK range of servicing capabilities and skills across consumer and commercial litigation, probate and insolvency. The total undiscounted consideration for the acquisition is £11,115,000 including deferred and contingent consideration.

Contingent consideration is payable at various times within two years from completion of the transaction upon the satisfaction of three mutually exclusive conditions which are based upon the business achieving certain targets around future volumes and the successful migration of Group accounts. The targets for contingent consideration are not linked to the post-acquisition employment status of the sellers, and is not considered to be a post-employment benefit arrangement with the former owners.

Of the £4,262,000 contingent consideration the gross undiscounted amounts are made up as follows:

- Up to £2,000,000 is contingent upon the successful migration of Arrow accounts. The payment range could be anywhere between £nil and £2,000,000 with the final amount to be agreed upon in April 2020;
- Up to £2,000,000 is contingent upon the performance of Arrow placed accounts against the jointly agreed business plan. The payment range could be anywhere between £nil and £2,000,000 with the final amount to be agreed upon in April 2021; and
- £1,000,000 is contingent upon winning Proceeds of Crime Act servicing deal from the UK Government before 8 April 2020. If the deal is not won the payment is forfeited.

Effect of the acquisition

The fair values of the identifiable assets acquired and liabilities assumed are as set out in the table below. Acquisition related costs are expensed in the profit or loss in the reporting period:

	Total £000
Property, plant and equipment	954
Intangible assets	688
Deferred tax asset	146
Cash and cash equivalents	15
Trade and other receivables	1,983
Trade and other payables	(723)
Deferred tax liability	(131)
Current tax liability	(277)
Provisions	(59)
Lease liability	(760)
Loan liability	(6,122)
Total identifiable net liabilities	**(4,286)**
Goodwill on acquisition	14,519
	10,233
Consideration:	
Cash	2,865
Deferred consideration	3,106
Contingent consideration	4,262
	10,233
Cash impact of acquisition in the period:	
Cash consideration	2,865
Cash and cash equivalents acquired	(15)
	2,850

30. Acquisition of subsidiary undertaking continued

An intangible asset of £688,000 has been recognised at acquisition, being the fair value after appropriate discounting, of expected cash flows arising from existing customer relationships. The gross contractual outstanding amounts of 'trade and other receivables' was materially equal to their carrying amount, with no material balances not expected to be collected upon.

Goodwill of £14,519,000 was created as a result of this acquisition. The primary reason for the acquisition was to broaden the Group's range of servicing capabilities in the UK.

In the period from acquisition to 31 December 2019, Drydens contributed income of £3,650,000 and profit after tax contribution of £1,165,000 to the consolidated results for the period. If the acquisition had occurred on 1 January 2019, Group total income would have been higher by an estimated £1,167,000 and profit after tax would have been lower by an estimated £24,000.

Prior year acquisitions

a. Parr Credit s.r.l.

On 1 March 2018, the Group acquired 100% of the share capital of Parr Credit. Parr Credit manages unsecured performing and non-performing loans and customer relationships for Tier-1 telecommunications, financial institutions and media companies. The acquisition builds on the 2017 acquisition of Zenith and gives the Group Italian primary and special servicing capabilities that support the Group's growth ambitions. The total undiscounted consideration for the acquisition is €24,924,000 (£21,917,000) including deferred and contingent consideration.

Contingent consideration is split into three tranches and is based on the three future anniversaries of the transaction. It is included at its fair value, at the amount contractually agreed. The contingent consideration is based on the business meeting certain income targets each year.

30. Acquisition of subsidiary undertaking continued

Effect of the acquisition

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Total £000
Intangible assets	264
Property, plant and equipment	84
Investments in associates	49
Cash and cash equivalents	21
Trade and other receivables	3,581
Current tax receivables	197
Trade and other payables	(4,387)
Accruals	(298)
Provisions	(868)
Bank overdraft	(5)
Total identifiable net liablilities	**(1,362)**
Goodwill on acquisition	22,533
	21,171
Fair values of consideration:	
Cash	13,011
Deferred consideration	4,106
Contingent consideration	4,054
	21,171
Cash reduction at acquisition date:	
Cash consideration	13,011
Offset by cash and cash equivalents acquired	(21)
	12,990

Goodwill of €25,624,000 (£22,533,000) was created as a result of this acquisition. The primary reason for the acquisition was to create scale and servicing capabilities across multiple asset classes in the Italian market following the purchase of Zenith in 2017. The gross contractual outstanding amounts of 'trade and other receivables' was materially equal to their carrying amount, with no material balances not expected to be collected upon.

In the period from acquisition to 31 December 2018, Parr Credit contributed income of £13,900,000 and a loss after tax contribution of £2,100,000 to the consolidated results for the year. If the acquisition had occurred on 1 January 2018, Group total income would have been higher by an estimated £2,600,000 and profit after tax would have been lower by an estimated £400,000.

b. Europa Investimenti S.p.A (EI)

On 13 September 2018, the Group acquired 100% of the share capital of EI. EI originates and manages Italian distressed debt investments. The acquisition builds on the 2017 acquisition of Zenith, and subsequent acquisition of Parr Credit in 2018, providing a platform to drive returns from corporate and SME assets. The total undiscounted consideration for the acquisition is €69,500,000 (£62,092,000) including deferred and contingent consideration.

Contingent consideration is payable in one tranche. It is included at its fair value, at the maximum amount contractually agreed. The contingent consideration is based on the business meeting certain cumulative income targets by the end of 2022.

30. Acquisition of subsidiary undertaking continued

Effect of the acquisition

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Total £000
Deferred tax asset	1,066
Other non-current assets	248
Portfolio investments	11,853
Cash and cash equivalents	5,280
Trade and other receivables	2,171
Tax receivables	382
Trade and other payables	(6,191)
Provisions	(3,636)
Tax payable	(212)
Total identifiable net assets	10,961
Goodwill on acquisition	48,219
	59,180
Fair values of consideration:	
Cash	31,716
Deferred consideration	13,304
Contingent consideration	14,160
	59,180
Cash reduction at acquisition date:	
Cash consideration	31,716
Offset by cash and cash equivalents acquired	(5,280)
	26,436

Goodwill of €53,972,000 (£48,219,000) was created as a result of this acquisition. The primary reason for the acquisition was to create scale and servicing capabilities across multiple asset classes in the Italian market following the purchase of Zenith in 2017 and Parr in 2018. The gross contractual outstanding amounts of 'trade and other receivables' was materially equal to their carrying amount, with no material balances not expected to be collected upon.

In the period from acquisition to 31 December 2018, EI contributed income of £13,600,000 and profit after tax contribution of £6,500,000 to the consolidated results for the year. If the acquisition had occurred on 1 January 2018, Group total income and profit after tax would not have been materially different at £361,796,000 and £29,969,000 respectively, due to the majority of EI's 2018 deals closing in the period since acquisition.

c. Norfin Investimentos S.A. (Norfin)

On 21 December 2018, the Group acquired 100% of the share capital of Norfin. Norfin manages real estate investments in Portugal. The acquisition allows the Group to offer a comprehensive set of servicing solutions to investors in Portugal. The total undiscounted consideration for the acquisition is €43,100,000 (£38,731,000) including expected contingent consideration.

Contingent consideration is split into two tranches and is based upon the funds under management (FUM) growth and margins achieved in the business by the end of 2020. If such targets are met, a share of the FUM over the performance threshold will be paid as contingent consideration in the first half of 2021.

30. Acquisition of subsidiary undertaking continued

Effect of the acquisition

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Total £000
Property, plant and equipment	262
Intangible assets	2,068
Fee receivables	1,209
Cash and cash equivalents	2,471
Trade and other receivables	1,745
Trade and other payables	(1,992)
Total identifiable net assets	5,763
Goodwill on acquisition	31,335
	37,098
Fair values of consideration:	
Cash	16,445
Contingent consideration	20,653
	37,098
Cash reduction at acquisition date:	
Cash consideration	16,445
Offset by cash and cash equivalents acquired	(2,471)
	13,974

An intangible asset of €2,301,000 (£2,068,000) has been recognised at acquisition, being the fair value after appropriate discounting, of expected cash flows arising from existing customer relationships. Goodwill of €34,644,000 (£31,335,000) was created as a result of this acquisition. The primary reason for the acquisition was to expand the offering of servicing solutions from the Group to investors in Portugal. The gross contractual outstanding amounts of 'trade and other receivables' was materially equal to their carrying amount, with no material balances not expected to be collected upon.

In the period from acquisition to 31 December 2018, Norfin did not contribute any material income or profit after tax to the 2018 Group result. If the acquisition had occurred on 1 January 2018, Group total income would have been higher by an estimated £5,900,000 and profit after tax would have been an estimated £500,000 higher.

d. Bergen Capital Management Limited (Bergen)

On 1 July 2018, the Group acquired 100% of the share capital of Bergen. Bergen manages corporate real estate secured loans. The acquisition provides the Group with additional servicing capabilities in this asset class in the UK. The total undiscounted consideration for the acquisition is £5,200,000.

30. Acquisition of subsidiary undertaking continued

Effect of the acquisition

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Total £000
Property, plant and equipment	13
Cash and cash equivalents	92
Trade and other receivables	34
Trade and other payables	(83)
Current tax liability	(20)
Total identifiable net assets	36
Goodwill on acquisition	5,164
	5,200
Fair values at consideration:	
Cash	4,200
Deferred consideration	1,000
	5,200
Cash reduction at acquisition date:	
Cash consideration	4,200
Offset by cash and cash equivalents acquired	(92)
	4,108

Goodwill of £5,164,000 was created as a result of this acquisition. The primary reason for the acquisition was to enable the Group to take advantage of opportunities in the small ticket UK commercial real estate secured loan market.

The gross contractual outstanding amounts of 'trade and other receivables' was materially equal to their carrying amount, with no material balances not expected to be collected upon. In the period from acquisition to 31 December 2018, Bergen contributed no material income or profit after tax contribution to the consolidated results for the year.

Measurement period

Whilst the Group believes the acquisition accounting fair value adjustments to be complete, IFRS 3 allows a measurement period of up to one year after acquisition to reflect any new information obtained about facts and circumstances that were made available to the Group at the acquisition date. Certain adjustments in respect of the fair value of the opening balance sheets acquired and the discounted fair value of consideration paid on EI and Norfin have been made in the period (see note 13). If any additional changes are required within this measurement period, these will be reflected in the 2020 half year results of the Group.

31. Notes to the statement of cash flows

	Group 2019 £000	Group 2018 £000	**Company 2019 £000**	Company 2018 £000
Profit after tax	**37,287**	29,969	**11,897**	154,298
Adjusted for:				
Collections in the year	**442,311**	411,588	**—**	—
Income from portfolio investments	**(199,655)**	(193,932)	**—**	—
Fair value gain on portfolios	**(32,397)**	(24,745)	**—**	—
Net impairment gain	**(12,714)**	(50,727)	**—**	—
Deferred consideration release	**(21,119)**	—	**—**	—
Depreciation and amortisation	**18,435**	14,235	**—**	—
Loss/(profit) on write off and disposal of property, plant and equipment	**1,419**	(731)	**—**	—
Loss on write off and disposal of intangible assets	**5,766**	508	**—**	—
Net interest payable	**53,103**	66,792	**—**	—
Lease liability interest	**1,395**	—	**—**	—
Foreign exchange gains/(losses)	**1,018**	(2)	**—**	—
Equity settled share-based payment expenses	**1,437**	3,267	**—**	—
Tax expense	**14,033**	10,022	**—**	—
Operating cash flows before movement in working capital	**310,319**	266,244	**11,897**	154,298
Decrease/(increase) in other receivables	**15,800**	(28,132)	**26**	(91)
Decrease/(increase) in amounts due to/from subsidiary undertakings	**—**	—	**10,858**	(130,029)
Increase in trade and other payables	**12,120**	15,645	**291**	198
Cash generated by operations	**338,239**	253,757	**23,072**	24,376
Income taxes and overseas taxation paid	**(14,036)**	(9,428)	**—**	(720)
Net cash flow from operating activities before purchases of portfolio investments	**324,203**	244,329	**23,072**	23,656
Purchase of portfolio investments	**(303,687)**	(263,350)	**—**	—
Net cash generated by/(used in) operating activities	**20,516**	(19,021)	**23,072**	23,656

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Sherwood Financing plc

€640,000,000 Senior Secured Floating Rate Notes due 2027

€400,000,000 4.500% Senior Secured Notes due 2026

£350,000,000 6.000% Senior Secured Notes due 2026

Issue price for the €640,000,000 Senior Secured Floating Rate Notes due 2027: 100.000%

Issue price for the €400,000,000 4.500% Senior Secured Notes due 2026: 100.000%

Issue price for the £350,000,000 6.000% Senior Secured Notes due 2026: 100.000%

Joint Physical Bookrunners and Joint Global Coordinators for the Euro Notes

J.P. Morgan **Barclays** **Goldman Sachs Bank Europe SE**

Joint Physical Bookrunners and Joint Global Coordinators of the Sterling Notes

Barclays **J.P. Morgan** **Goldman Sachs Bank Europe SE**

Joint Bookrunners

BofA Securities
Citigroup
DNB Markets
HSBC
Lloyds Bank Corporate Markets
NatWest Markets

October 27, 2021

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